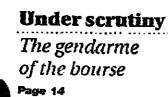
# World Business Newspaper

# FINANCIAL TIMES



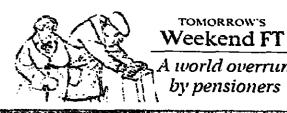


Swedish question Why women don't get top jobs



Britain and the EU

Major holds one more card



FRIDAY JUNE 16 1995

### Suez and SGB may form joint group to stave off takeover

Suez and its large subsidiary, Societe Générale de Belgique, are considering forming a joint company. The move could help the management of the Prench holding company stave off a takeover from some of its dissatisfied French shareholders.

HK airport project faces cash crisis: The authority building Hong Kong's new airport is running out of funds and will have to stop letting new contracts if a fresh financing agreement is not reached by late next month. Page 16

15 die in Greek earthquake: An carthquake destroyed two buildings in the port town of Egion in south-west Greece. At least 15 people died and dozens were injured when an apartment building and a hotel collapsed. Page 2

US industrial output falls: US industrial production fell for the third consecutive month in May, making the recent downturn in factory output the longest since the 1990/91 recession, official figures show. Page 4

Spanish group clinches helicopter deal: Gamesa, a little-known engineering and components group based in the Spanish Basque country. secured a deal to supply parts to US helicopter man-ufacturer Sikorsky which is expected to be worth \$4.5bn over 25 years. Page 4

Japan to bring forward economic plan: Japan is to bring forward its next economic stimulus plan from the autumn to next month in an attempt to strengthen so far inadequate attempts to stave off a second recession. Page 6

Israel says Palestinian deal in sight: Israel said it could reach agreement with Palestinians to extend self-rule by July 1 so long as the Palestinians accepted a two-stage Israeli troop withdrawal from the occupied West Bank. Page 5

Europe's new car sales rise: New car sales rose last month by 0.1 per cent in western Europe year-on-year, enough to maintain a growth rate of 0.2 per cent so far this year. Page 2; UK car output

US car dealers fear trade war: US sanctions against Japanese luxury cars could aggravate anti-Japanese sentiment in the US and spill over to affect other Japanese products, US car dealers

Hungary seeks new IMF loans: Hungary began talks with the International Monetary Fund on an economic reform programme which the gov-ernment hopes will secure new IMF loans, the first since a Socialist-led coalition took office last July.

Pechiney may sell US glass unit: French glass and industrial group Saint Gobain may buy Pechiney's glass container business in the US, Pechiney's president Jean-Pierre Rodier said. Page 17

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25 4

World arms spending 'still falling': Military spending is rising sharply in south and south-east Asia, but continuing to fall in the world as a whole, the Stockholm International Peace Research Institute says. Page 7

C&W raises Israeli telecoms stake: UK telecommunications group Cable and Wireless raised its stake in Bezeq, Israel's state-owned telecommunications company, from 7 to 10 per cent in an attempt to become a strategic partner. Page 27

Merrill Lynch to direct Telefónica offer: US investment bank Merrill Lynch won the mandate to co-ordinate an offering of government shares in Spanish telecommunications operator Telefónica which is expected to raise about \$1.5bn.

Pakistan's budget worries IMF: Pakistan's annual budget is incompatible with conditions agreed with the International Monetary Fund earlier this year as part of a three-year structural adjustment programme, the IMF representative in Islamabad said. Page 6

China 'risks collapse': China risks disintegration if it does not act to strengthen central government revenues, improve tax collection and formulate a new tax distribution system, a leading researcher warned. Page 6

Winner declared in shopping centre sale: UK property company Capital Shopping Centres emerged as winner of a four-way auction for the MetroCentre in Gateshead, northern England, Europe's largest covered shopping centre. Page 21

Rory Gallagher dies: Irish rock guitarist Rory Gallagher, who sold 14m records over a career last ing 30 years, died in a London hospital, aged 47. He underwent a liver transplant earlier this year.

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UK News

World Trade Nove ........... 4 Management ... © THE FINANCIAL TIMES LIMITED 1995 No 32,703 Week No 24

By Guy de Jonquierès and Peter Norman in Halifax

US president Bill Clinton yester-

day warned Japan that he was

determined to push for the coun-

try's car market to be opened, saying "millions of American

exports and thousands of Ameri-

can jobs" depended on Washing-

Mr Clinton was speaking

shortly before leaving Washing-ton for an hour-long meeting

here with Mr Tomiichi Muray-

ama. Japan's prime minister, on

the eve of the two-day summit of leaders of the Group of Seven

industrialised countries. "We

meet as friends with some differ-

The tough US line was

reinforced by Mr Warren Christo-

pher, US secretary of state. He

told Mr Yohei Kono, Japan's for-

eign minister, that the June 28

date on which Washington will decide whether to impose puni-

tive tariffs on Japanese luxury

car imports was "a deadline, not Britain, Italy and Canada.

ences," Mr Clinton said.

a target or a goal".

ton's success.

CONTENTS ... 12 Intl. Companies ....... 18-20 Ind. Cap Mids \_\_\_\_\_24 Int. Bond Service \_\_\_\_\_24 Bourses \_\_

linton maintains hard line

However, Mr Christopher,

expressed hopes that the two sides could solve the car conflict,

as they had settled previous

trade disputes. Mr Clinton also

stressed the "strong relationship"

and co-operation between the US

Mr Clinton's remarks appeared

intended to limit the political impact of the trade disagreement

on US relations with Japan and

to prevent it dominating the G7 meeting, which also faces diffi-

cult discussions on Bosnia and

on France's controversial deci-

sion this week to resume testing

Both the US and Japan have

discouraged expectations that the

Mr Murayama would produce

France's decision to resume

nuclear weapons testing in the

Pacific continued to attract con-

demnation ahead of a working dinner last night of leaders from

the US, Japan, Germany, France,

Mr André Ouellet, the Cana-

any decisive breakthrough.

meeting between Mr Clinton and

of nuclear weapons.

in cars dispute with Japan

FT/SP-A Wid Indices......34

Recent Issues ... Share information \_\_\_\_26.27

German bank aims to expand in London Target seeks £1bn offer

### Dresdner in Kleinwort bid talks

and Andrew Fisher in Frankfurt

Britain's Kleinwort Benson said yesterday it was in takeover talks with Dresdner Bank of Germany and prepared to give up its independence as an investment bank. If it did, Kleinwort would follow Morgan Grenfell, Barings and S.C. Warburg into continental European ownership.

Heavy buying of its shares prompted Kleinwort, which traces its origins to 1792, to con-firm that Dresdner, Germany's second largest bank, had approached it about a cash offer at about Wednesday's price of 724p, or 2366m (\$1.52bn) in all. Kleinwort was believed to be

holding out for 750p per share and a purchase price of £1bn. ABN Amro of the Netherlands and Britain's National Westmin-ster Bank, which have explored acquisitions in UK investment

banking, are not considering counter-bids. Kleinwort's share price closed at 719p, down 5p.

Lord Rockley, Kleinwort's chairman, said in a memorandum to staff: "This initiative has come from Dresdner. As a quoted company, we have a requirement on us to look at any serious approach and take into account the interests of all shareholders." Eleinwort has been a target of

takeover speculation since Warburg's abortive talks with Morgan Stanley in December initi-ated the current wave of acquisitions of UK investment banks. Dresdner and Kleinwort denied in January they were in negotiations, but Kleinwort reviewed its strategy after the collapse of Barings in February and Swiss Bank Corporation's

agreed bid for Warburg in May. These events and the weaken-ing in the US of the division between commercial and invest-

No end to the wave of buying ... Editorial Comment .....Page 15 Takeover talk lifts Smith New Court .....

ment banks, raised doubts about the viability of stand-alone UK merchant banks.

Dresdner, which is advised by Robert Fleming, began its "due diligence" examination of Kleinwort at the beginning of this week. Negotiators believe terms will have to be agreed within a fortnight if they are to succeed.

The main discussion now centres on the degree of autonomy Kleinwort would enjoy. Kleinwort enjoyed relatively robust profits in 1994 and believes it is in a position to deal with any overtures from "a position of

Robert Corzine in London

Protests are mounting in Europe

over the dumping of the Brent

Spar oil platform, now being

towed slowly by tugs to a

deep-sea disposal site in the

Mr Helmut Kohl, the German

chancellor, yesterday criticised

Shell, the Anglo Dutch oil giant

which owns the disused North

Sea storage platform. The com-

pany has already been hit by con-

stream German politicians and

encouraged by Dutch govern-

ment ministers and by Green-

peace, the international

environmental pressure

Mr Kohl said he would raise

the controversial issue at the

Group of Seven summit, in Hali-

fax, Canada. He and Mr Theo

Waigel finance minister, want to

discuss the disposal plan either

rately with Mr John Major, the

ln Halifax yesterday, Mr Kohl

British prime minister

On guard: US President Bill

Clinton (left) is flanked by Cana-

dian Mounties as he arrives at

Halifax, Nova Scotia, for the two-day summit of the Group of

Seven industrialised countries.

Mr Clinton said he was deter-

mined to push for Japan's car

dian foreign minister, said Can-

ada was "very concerned" about a possible escalation of testing if

example.

other countries followed France's

Mr Quellet also expressed con-

cern that the Franco-British plan

to create a rapid reaction force

could contribute to an escalation

He recalled that Mr Jean Chré-

tien, the Canadian prime minis-

ter, was reluctant to see the UN peacekeeping mission trans-

formed into a mission to impose

Meanwhile, Japanese govern-

ment officials signalled that they

would be seeking "a clear sign of

co-operation" among the G7 to

that the meeting would decide

any significant policy change

with the aim of promoting stable

exchange rates. As a result of dis-

cussions among the "sherpas", the officials who prepare the

summit, Canada has dropped the

idea of putting a tax on currency

transactions on the agenda.

curb currency turbulence. However, it appeared unlikely

of the crisis in Bosnia.

and Ronald van de Krol

Atlantic.

strength." Both parties are influenced by the model of Deutsche Bank's 1989 takeover of Morgan Grenfell, in which the latter's management and name remained intact for six years.

Lord Rockley wrote yesterday that Kleinwort would pay "particular attention" to the interests of its 3,100 staff. There is little overlap between the two banks. A successful bid for Kleinwort

would leave the UK with only five significant independent investment banks: Schroders, Robert Fleming, Hambros, NM Rothschild and Lazard Brothers. They moved quickly to dampen

speculation that they might also give up their independence. Mr George Mallinckrodt, president of Schroders, which is advising Kleinwort, said of the bid: "It doesn't in any way influence us and we remain independent. We are rock hard on this." He said: "We need to have a balance in

Kohl joins in criticism

of Shell dumping plan

obliquely warned Shell of the

dangers of persisting with the disposal plan. He said: "If I were

a company. I would not do any-

thing which would hurt my busi-

Brent Spar to a site in the Atlan-

tic where it will be sunk in about

2,000 metres of water. The dis-

posal will take place in the "next

products appears to have won

some support from German con-

sumers. In Berlin yesterday, a

manager of a Shell service sta-

tion reported a 30 per cent fall in

manager, who asked not to be

of the English," he added.

"It's really terrible," said the

Officials at Shell's German

few days", Shell said.

sales this week.

Shell is currently towing the

Britain between domestic and foreign banks." Dresdner's bid reflects a strat-

egy of developing its investment banking presence in London. It stepped up its effort after Deut-sche Bank decided to centre its investment banking activities on Morgan Grenfell in London. Analysts said the move repre

sents a significant acceleration of Dresdner's efforts to grow internationally and reduce its reliance on domestic business which is higher than at Deutsche Bank and Commerzbank.

Through Kleinwort, Dresdner would gain the channels it has lacked to distribute German shares in big foreign markets or to place non-German securities in Germany. Kleinwort would also contribute a corporate finance arm which advised on more ing UK companies in 1994 than

impact of the controversy on

Ms Margreeth de Boer, the

Netherlands' environment minis-

ter, has also supported a con-

sumer boycott. Her colleague, Mr Hans Wijers, economic affairs

minister, said he would not mind

if his chauffeur stopped for petrol

Shell UK vesterday refused to

say whether they have experi-

defended the deep-sea disposal of

the platform, which they argue

has been made safe. Environmen-

tal groups argue it still poses a

danger because of remaining oil

The UK government is also

standing by the plan. Mr Tony

and was "the best practicable

environmental option available".

sludge and other pollutants.

at a station other than Shell.

### talks falter as shelling erupts near Sarajevo

By Harriet Martin in Sarajevo. Jurek Martin in Washington, and Laura Silber in Belgrade

Heavy artillery exchanges broke out north of Sarajevo yesterday and Mr Carl Bildt, the newly appointed European Union mediator, said Bosnia was heading for war rather than peace.

The shelling followed reports from the UN that forces of the Moslem-led government are massing near the capital in a possible preparation to break the 38month siege of the city by the Bostian Serbs.

Western governments have warned the Bosnian government not to risk escalating the conflict and to seek a negotiated settlement, with the assistance of Mr Bildt. Mr Bildt, a former Swedish

prime minister whose appointment was seen as a boost for the peace process, gave a very pessi-mistic assessment in Washington of the Bosnian outlook. "At the moment, there isn't a political process," he said, adding

that it was "a very open question indeed" whether one could get under way. Asked what effect he could have on the situation, Mr Bildt said "that remains to be seen" and added that "at the moment we're heading toward The Bosnian government

army's immediate aim seemed to be limited to securing or harassing the road which runs north from Serb positions above Sarajevo to the confrontation lines in the centre of Bosnia.

In Bosnia, a UN spokesman said artillery shells were landing at a rate of five to six rounds a northern suburb of Sarajevo. Vogosca marks the start of the

strategic Serb-controlled road. known by the UN as the Python Route, which leads northwards to Serb positions in the centre of Bosnia. The head of a radio station in

Ilijas, a Serb-held town 20kms north of Sarajevo, said the town had been shelled since the early morning after a Bosnian attack from four directions.

Meanwhile, the Bosnian Serbs Continued on Page 16

named. "This is doing terrible Newton, standing in at Commons damage to my business. The sinkquestion time for Mr Major, said ing of the oil rig has nothing to the disposal was in line with the UK's international agreements do with us Germans. It's the fault

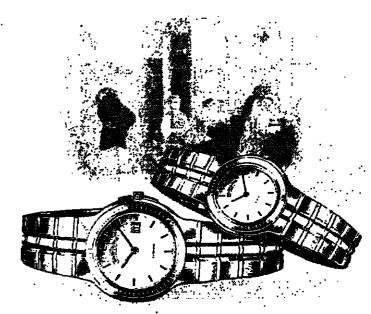
headquarters in Hamburg said it was too early to assess the

Disposal of Brent Spar platform

to figure at economic summit

Editorial Comment, Page 15

WITH A MASTER'S TOUCH AND THE TEST OF TIME



PHIDIAS. The classical tradition's salute to our time. Fashioned in steel or sculptured in white or yellow gold, they are available in both women's and men's sizes, providing chronometer readings, GMT time and tachymetric readous along with the time of day.



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MONOMIC WATCH

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7.00

## of Sweden backs Emu

The Riksbank, Sweden's Sweden should join the European Union's planned Economic and Monetary Union (Emu), saying it offered "overriding advantages" for the

"The economic policy which enables Sweden to participate as the policy that is needed for a lasting recovery in the Swedish economy after the decline in recent years," the Riksbank said in its first public statement on the issue.

The bank's unequivocal stance contrasts with the cautious approach to Emu being taken by the Social Democratic government in the face of deep scepticism within the party and among the public at large at the beginning of this year. An opinion poll published

yesterday by the central statistics bureau - drawn from an unusually large sample of more than 7,400 voters suggested 61.9 per cent of voters would reject joining the EU if a new referendum were held. with only 28.6 per cent in favour. In last November's plebiscite. Swedish membership was clinched by a majority Yes vote of 52.2 per cent to 46.9 per cent.

Mr Ingvar Carlsson, the prime minister, and Mr Göran Persson, the finance minister, have both indicated they favour joining the third and final stage of Emu, including the forging of a single European currency. But they have been careful to stress that the decision will ultimately be made by parliament, where there is certain to be significant opposition.

Mr Thomas Franzen, the dep-uty governor of the Riksbank, said the criteria set for participation in Emu - balanced public finances, controlled public

debt. low inflation, low interest rates and currency stability were needed irrespective of

whether Sweden joined. But he added that the industrial character and openness of the economy - and its susceptibility to external shocks meant it would benefit from Emu membership at an early stage. The bank said economic policy should be designed to enable Sweden to join in 1999 the likely earliest date for Emu implementation.

Earlier this week, the government presented its Emu "convergence programme" Despite the big recent budge deficits and fast-growing public debt, the plan envisages meeting the criteria by 1998, when the deficit will be eliminated through a tough programme of spending cuts and tax increases. Although debt levels will remain well above the levels specified for Emu entry, the government believes Brussels will waive the condition on the grounds that the debt is

The Riksbank yesterday reiterated its commitment to an inflation target of not more than 3 per cent. Latest figures showed consumer prices rising 3.2 per cent year on year in May, down slightly from 3.3 per cent in April, but still above the Riksbank's upper

### Central bank | Quake in Greece kills at least 15

By Our Foreign Staff

An earthquake destroyed two buildings in the port town of Egion in south-west Greece yesterday, killing at least 15 people and injuring dozens more when an apartment building and a hotel collapsed. Most of the dead were pulled out of the apartment building,

which "collapsed like a house

of cards", police said.

Five French nationals, including a family of three, were found dead under the debris of a wing of the hotel Eliki near the town, 145km west of Athens, where 159 French tourists were spending their holidays.

The French embassy in Athens said 152 of its nationals had been accounted for, including the dead, leaving seven missing presumed to be still buried under the hotel rubble. Ten people were reported to have died in the apartment building, including a 20-yearold Italian woman and three children. Up to 10 people were yesterday still missing, the Public Order Ministry said.

It said 59 people were taken to hospital with serious injuries, while dozens of others received emergency treatment. Within an hour of the tremor, military units from Athens and in the region rushed in medical and rescue teams here. French and Swiss rescue specialists with sniffer dogs arrived yesterday to help Greek teams.

The quake, which measured 6.1 on the Richter scale, and



damaged more than 500 buildings in the region, struck at about 3.15am, local time. Everything collapsed in five seconds," said a French worker at the Eliki hotel, built in 1973 and renovated in 1990. Guests huddled silently out-

side, many draped in blankets and wearing pyjamas, as they watched rescue workers. The bodies of Joel Gras, 40, Catrin Thieberge, 37 and their fiveyear-old child Heloise Gras were dug out of the ruins of

woman, Sylvie Erba, 35, was also recovered. At the residential building,

bulldozers and cranes yesterday shifted large slabs of concrete but workers said the work was going very slowly and they feared few of those trapped would survive.

Mrs Eleni Seriato, 31, who lived on the third floor of the block, escaped with her eightyear-old son but her husband and 11-year-old son were trapped inside. "My husband

trying to escape. A piece of mortar fell on him and he was trapped," she said. The ministry later said her son was dead. Egion, a small port on the Gulf, is in an area of frequent seismic activity. Power and phone lines were down in many parts of Egion and offi-

through mobile phones. Public works ministry officials declared about 500 build-ings uninhabitable because of cracks and collapsed walls,



lenic Arms Industry adminis-tration offices. About 200 tents were set up to house hundreds ared unsafe.

The earthquake's epicentre was in the 13km wide Gulf of Corinth, the Geodynamic Institute said. It was felt as far away as Athens and Ioannina near the Albanian border, and shattered windows and damaged hundreds of homes from the western port of Patras to across the Gulf. A quake of magnitude 6 can cause serious damage in populated areas. Greece has been shaken by a

series of recent earthquakes. More than 8,000 people are living in tents in the central Kozani region after a quake measuring 6.6 on the Richter scale last month. No one was killed but 25 people were

each other up for new alliance

An elaborate mating dance is being played out in the European parliament between Christian Democrats and rightwing parties which could lead to the formation of an alliance to rival-the dominant socialist

Leading centre-right MEPs are beginning to raise the possibility that a new bloc could be formed if the parliament's second largest group, the Christian Democrat European People's Party (EPP), joined forces with the French Gaullist and Italian Forza Europa MEPs.

The parliament's socialist and social democratic parties, led by Ms Pauline Green, command a 221-strong bloc followed by the 173-strong EPP. The EPP numbers could climb to 216 if bolstered by the 29 Forza MEPs and 14 Gaullist

The moves have taken on a new urgency because of efforts by Forza Europa over the past few months to form a mini-alliance of conservative parties, including the Gaullists and irish Fianna Fail members. This mini-alliance, if successful, would be just one of many the problems standing in the way of a grand centre-right

The larger EPP bloc could tionship in the Strasbourgbased parliament between the Christian Democrat group and the socialists which contributes to a relatively smooth decision-making process:

The European parliament remains a largely consultative body with powers to block rather than initiate legislation. although it is beginning to accrue greater powers. Its main role lies in areas of

'co-decision" on legislation with the European Council (EU heads of government), under which, in some limited areas of policy, it has final say.

The challenge facing the EPP is whether it can overcome its historical antagonism to accepting non-Christian Democrat parties into its ranks extent, already abandoned this puritanism by taking in Danish, Swedish and Finnish con-

"Parties must agree to our basic principles and programme - greater European integration and a sound balance between civil liberties and social responsibility," said Mr Klaus Welle, secretary general of the EPP.

But casting the net wider carries political risks. Mr Wilfried Martens, president of the EPP, said it was not just a case of raising numbers. "We are happy in our group. We have some dissension, but we have the same attitude and agree 95 per cent of the time. This is more important than being the largest group and being divided," he said.

The project's outcome also rests on political decisions in France and Italy which will determine the behaviour of Gaullist and Forza MEPs.

French President Jacques Chirac has not clarified whether he intends to deepen France's relationship with Ger many to build a more integrated Europe or whether he prefers the more flexible Europe favoured by London. One sign that Mr Chirac was moving towards Germany would be if he delivered the Gaullist MEPs to the Christian

Democrat camp.
Forza Europa MEPs are waiting for a signal from Mr Silvio Berlusconi.

"If there is an evolution. If Mr Chirac and Mr Kohl have a good understanding on Europe and the same happens with Italy Then in theory you have the possibility." Mr Martens

Mr Edward McMillan-Scott, UK Conservative MEP, said he would welcome any strengthening of the centre-right that would provide a balance for the large socialist group. "We would be glad to see the Gauliists and Forza in the EPP," he

Forza Europa's efforts to joi up with the 26-strong RDE group which includes the Guallist MEPs and Ireland's Fianna Fail are, by some accounts. close to fruition. Forza's aim is to forge a group big enough to displace the liberal bloc as the third largest group in the parliament.

This status would deliver a greater share of the parliament's spoils which are allocated on a proportional basis, including the right to more money, more staff, more debating time and greater preferance in the allocation of committee presidents.

### Sarajevo hopes relief may be at hand

By Harriet Martin in Sarajevo

As heavy fighting erupted north of Sarajevo, the Moslem-led Bosnian gov-ernment yesterday imposed strict security precautions amid rising hopes among the people that their army is about to break the three-year siege.

Bosnian radio interrupted its regular programming yesterday to announce the entire country had been placed on a general alert. It later reported that curfew hours had been tightened to run from 9pm to 6am daily.

Police circulated through the centre of Sarajevo during the morning order-

instances where products and

services are refused entry by

one member state from

another. However, this will not

come into force until the begin-

be the country most likely to

erect barriers to trade. Last

year, the Commission received

53 complaints from companies

and individuals whose prod-

ucts were rejected in France -

usually by local inspectors.

Ireland and Luxembourg

appear to be the most open,

being the subject of only one

and two complaints respec-

The Commission said penal-

ties for infringements - a mat-

ter for the member states -

their accounts.

The report showed France to

ning of 1997.

streets. Bosnian soldiers also closed all checkpoints in and out of the city just before noon, including the steep mountain track over Mount Igman which is the city's only remaining link to the

outside world. Yesterday morning the army retrieved a tank and two heavy guns from a United Nations weapons collec-

tion point in the city. Nato air strikes, the city has been with-

For more than three weeks, since the out water, power or food deliveries.

Mubera Tafro, a schoolteacher in her

40s, said: "After 38 months without

to break the siege."

Her son Vedo. 20, who joined the army when he was 17 and is one of only four surviving members of his unit of 26 said: "Everyone in Sarajevo knows more young men will die in this battle. That is the price we have to pay to liberate the city.... People die here every day from shelling and sniping. Lifting the siege is the only way we will stop that."

The artillery and infantry battles north of the city are believed by many to be a possible prelude to an all-out offensive. Aida Cavdar, 21, said: "If it's going to happen, it will happen in the

the Bosnian army is better equipped. It's that morale is really high."

In spite of the arms embargo, many nations have been prepared to break it. The army, which began the war sharing rifles and wearing plimsoles, is now much better trained and equipped. Ms Cavdar said: "At the start of the war the army defended Sarajevo with pistols, hunting rifles and mortars made from drain pipes. Now it's much stronger. I really believe they can do it." But the civilians are also aware that a big government offensive will bring Serb retaliation in the form of indiscriminate shelling of the city.

Brussels criticises levels of harmonisation

### EU's single market has 'serious problems'

that the elimination of border

controls for goods had sharply

reduced costs and delivery

times. Furthermore, the grad-

ual prising open of the public procurement market had

allowed many companies to

win contracts, in spite of

severe delays from certain

member states in putting the

drew on many sources includ-

ing its own surveys, reports

from national industry minis-

tries, trade unions and con-

sumer organisations, said gaps

inhibiting the development of a

truly single market included:

the continued existence of bor-

der controls on people; the

absence of tax harmonisation

in certain fields; insufficient

liberalisation of some sectors,

notably energy and telecom-

munications; and delays in

adapting company law to the

single market's requirements. The official stressed, how-

ever, the desire of Brussels to

tread carefully. Harmonisation

could only be carried out to a

degree that was "politically acceptable" to member states.

The Commission is hoping to

get a clearer picture of where

the market is failing to work

following an agreement by EU

The Commission, which

legislation in place.

By Emma Tucker in Brussels

Much more needs to be done to make Europe's single market a reality and the jury is still out on its overall economic impact. the European Commission said yesterday.

In its annual assessment of the border-free, internal market, considered to be one of the Ell's greatest achievements the Commission said "serious problems" were stemming from the failure of member states to implement single market laws, to apply them correctly, and to punish offenders adequately.

The different interpretations at a national level of "harmonisation" rules - designed to allow goods to flow freely within the EU - and the persistence of technical barriers to trade for those goods which have not been harmonised, are among the biggest hindrances.
"A lot remains to be done to get the single market in place," said a Commission official. "There is often a clear distinction between an agreement within the council of ministers and implementation of that

agreement on the ground." But the news was not all bad. The report pointed out

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West Europe car sales up

By Haig Simonian, Motor Industry

New car sales rose last month by 0.1 per cent in western Europe year-on-year, just enough to maintain a growth rate of 0.2 per cent so far this year. This is below many manufacturers' expectations but better than they feared.

The strongest growth last month came in Germany. Europe's biggest car market, where sales climbed by 4.5 per cent to 319,000. The UK registered an increase of 1.7 per cent to 152,700.

However, France, Italy and Spain, Europe's other leading car markets, all reported falls, reinforcing concern that the west European market will not prove as resilient this year as many manufacturers hoped. Sales dropped by 9.5 per cent in Spain and by 4.3 per cent in

were being applied unevenly and had in some cases France year-on-year. prompted Brussels to take Industry observers believe that the French market is soft-For example, it had taken ening ahead of the expected Germany to court for its refusal to apply a law requirtermination at the end of this month of a government incening small companies to publish tive scheme introduced last

However, it said there was The fall in the French marlittle evidence to suggest that companies were setting up in ket means the gap between it and the UK and Italy, respeccountries where they thought tively Europe's second and they would get off more lightly third biggest car markets, has for disobeying the rules. widened, making it more diffi-

cult for Peugeot-Citroën and Renault, the two indigenous manufacturers, to maintain their positions in the European league table this year.

Overall, sales rose in eight, fell in six and remained unchanged in three of the 17 markets tracked by Acea, the European Automobile Manufacturers' Association, which produces the preliminary sales figures,

Among the leading manufacturers, the Volkswagen group reinforced its position as Europe's foremost producer with a 11.7 per cent year-on-year rise in sales last month. taking its May market share to to 17.8 per cent.

VW has struggled to keep up with buoyant demand across Europe for its new Polo compact car, while sales by its Audi executive cars subsidiary have also been very successful on the back of new models. Audi sales soared by more than 45 per cent year-on-year last month to 36,500 units.

The General Motors group also strengthened its position as Europe's second biggest manufacturer thanks to a 4.8 per cent rise in May sales, taking its market share for the month to 13.7 per cent.
French marques fared less

well. Sales of Peugeot-Citroën dropped by 5.9 per cent yearon-year in May, while its rival

	(Cutura)	Change(%)	Jan-May 95	Jan-May 9
TOTAL MARKET	5,372,700	+0,2	100.0	100.0
MANUFACTURERS:				
Volkswagen group	885,944	+1.2	16.5	16.3
<ul> <li>Volkswagen</li> </ul>	572,581	-0.4	10.7	10.7
- Şeat	121,666	-12.0	2.3	2.8
- Audi	185,828	+21.2	3.1	2.6
- Skoda"	26,419	+1.5	0.5	0.5
General Motorst	714,552	+3.3	13.3	12.9
- Opel/Vauxhalf	682,675	+3.5	12.7	12.3
- Saab	26,158	+14.0	0.5	0.4
Ford group#	648,238	+0.5	12.1	120
- Ford	641,147	+0.2	11.9	11.9
– Jaguar	7,091	+39.3	0.1	0.1
PSA Peugeot Citroen	645,133	-5.1	12.0	12.7
- Peugeot	381,392	-6,6	7.1	7.6
- Citroen	263,741	-2.9	4.9	5.1
Fiat group##	616,218	+6.4	11.5	10.8
- Flat	483,169	+7.3	9.0	8.4
- Lancia	70,279	-5.3	1.3	1.4
- Alfa Romeo	52,247	+8.3	1.0	0.9
Renault	566,314	-0.7	10.5	10.6
BMW group	321,269	-3.7	6.0	6.2
- Rover	146,169	-11.9	2.7	3.1
– BMW	175,100	+4.5	3.3	3.1
Mercedes-Benz	178,249	-7.2	3.3	3.6
Nissan	153,670	-13.6	2.9	3.3
Toyota	139,071	- <u>2.2</u>	26	2.7
Volvo	102,295	+13.8	1.9	1.7
Mazda	82,317	-3.7	1.5	1.6
Honda	80,530	+12.0	1.5	1.3
Mitsubishi	56,523	+5.5	1.1	1.0
Total Japanese	580,716	-2.6	10.8	11.1
MARKETS:				
Germany	1,464,800	+0.4	27.3	27.2
United Kingdom	816,800	-0.6	15.2	15.3
Italy	815,700	+0.5	15.2	15.1
France	812,500	+1.2	15.1	15.0
Spain	360,100	+0.5	6.7	6.7

WEST EUROPEAN NEW CAR REGISTRATIONS

January-May 1995

"W holds 31 per cent and management control of Shoda. Wholudes cars imported from US and sold in western Europe "GM holds 50 per cent and management control of Seab A 58 Fat group includes Lance, 48s Romeo, knootents, Feren

cent fall. Japanese manufacturers marginally consolidated their opposition last month, with an overall rise of 3.2 per cent year-on-year.

Renault registered a 10.4 per

Mitsubishi, which is gearing up to launch its Carisma model
- which is manufactured in the Netherlands - across Europe later this year, registered a 13.2 per cent increase in

### All out to save Marseilles from the right range of social and economic bring him victory. He gathered

By Andrew Jack in Marseilles

Someone walking through the streets of Marseilles yesterday morning might have been forgiven for thinking that Mr Bernard Tapie was running as a candidate for mayor in the second round of municipal elections on Sunday.

Looking bronzed and cheerful, the businessman and politician - who has bankruptcy and bribery convictions which, if he falls in his appeal, would bar him from running for office - left in the shade the man he was supporting, Mr Lucien Weygand, the Socialist party contestant.

As Mr Taple dived enthusiastically into every available bar to shake hands, slap backs and joke with largely friendly crowds before briskly moving on, Mr Weygand hovered awkwardly nearby, occasionally he has also gained the

getting entangled in lengthy conversations with voters. While Mr Weygand, cur-

rently leader of the local council, is no great friend of Mr Tapie, the left has been soliciting help wherever possible in an effort to save France's second largest city from falling to the right as France prepares to go to the polls in the second round of local elections across the country. Last night, Mr Lionel Jospin

and Mr Robert Hue, respectively the Socialist and Communist candidates in the presideutial race earlier this year, were in town to lend their sup-

Mr Weygand has teamed up with Mr Guy Hermier, the danper Communist candidate who has a doctorate in the poetry of the French Resistance. Since the first round of voting

endorsement of several minority candidates.

But nothing is simple in Marseilles. Dr Robert Vigouroux, the incumbent who has decided not to stand again, has changed his politicalallegiances. Once the doctor of Mr prime minister in the presi-

Mr Tapie dived enthusiastically into every available bar to shake hands, slap backs and joke with largely friendly crowds

Gaston Defferre, the veteran dential race, and came out in 33 years, he managed to succeed Mr Defferre as the socialist candidate when he died in mid-term in 1986.

Re-elected in 1989. Dr Vigouroux is seen by many as being an effective manager of

development programmes.
Yet he has managed to alienate his former allies without

building up an alternative

political base. He endorsed Mr

Edouard Balladur, the former

Socialist who ran the city for favour of Mr Jean-Claude Gaudin, the Republican head of the regional council, when it became clear that he would not be re-elected if he ran

again. Judging by the outcome of the first round of voting in the city who brought its debt Marseilles last Sunday, Mr

36 per cent of the vote, against Mr Weygand's 29 per cent. According to Mr Jean Viard, a political scientist specialis-ing in the city, this partly reflects Mr Gaudin's charisma,

but is mainly the result of a country-wide resurgence of the right characterised by increasingly nationalistic beliefs. This same current of opinion has also benefited the extreme

rightwing National Front, which gained 22 per cent of the vote last Sunday in Marseilles and so will also be in the run-off this weekend. But to see the power of the National Front, which performed strongly in the first

country, it is necessary to travel a few miles north. Vitrolles, an unprepos ing new town with high unemunder control and launched a Gaudin's populist rhetoric will ployment, may soon become

round in many parts of the

the first municipality of any significant size to acquire a National Front mayor. Mr Bruno Mégret, number

two in the party, polled 43 per cent in the first round against 28 per cent for the Socialist Mr Viard says this reflects Mr Megret's groundwork over five years of campaigning locally as well as the fragility

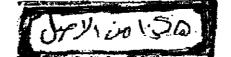
of the town's social structure.

"It is a new town with no identity," he says. All that has been intensified by the economic difficulties of the region. Yet in an important gesture this week, the local handball team - national and European

champions - which is run by Mr Tapie's brother, threatened to leave the town if Mr Megret

The left will not go down without a colourful fight.

But he decime is due also physical which energed in and then title further proper de mande de la company de company biol of look Crempleyment in plot is bet ceit a Acad water buck per cent from 7.1 per c party joble 22 margar pare 2 to the sound seeking to the by lamily reunification against a finished a industrial curped in the central statistic month increase was 12.9 pers



**EUROPEAN NEWS DIGEST** 

Vote paves way

for Russian poll

Russia was removed yesterday when the upper house of

parliament and the president must still approve a bill

parliament approved a controversial election law regulating

elections to the Duma, the lower house. A conflict between the

president and parliament over the legislation had threatened to derail the scheduled ballot, but a compromise draft was overwhelmingly passed. Mr Boris Yeltsin, Russian president,

is expected to sign the bill into law next week. Both houses of

regulating elections to the Federation Council, the upper house. Mr Vladimir Shumeiko, speaker of the upper house, said the vote was a triumph for Russian democracy.

The main stumbling block to the law, which was rejected by the Federation Council on Wednesday, had been Mr Yeltsin's

insistence that the number of candidates elected according to

parties with a populist message, such as the communists and extreme nationalists, benefit most from such lists. After

negotiations. Mr Yeltsin dropped his opposition to party lists,

officials should resign from their state jobs in order to run for seats in the legislature. Chrystia Freeland, Moscow

Hungarian officials yesterday began talks with the International Monetary Fund on an economic reform programme which the government hopes will secure new IMF loans, the first since a Socialist-led coalition took office last

July. The government sees a fresh IMF standby agreement as

an important step in restoring international confidence in the

conomic targets, partly because there is doubt whether they

will be met, in spite of the austerity package. In this year's

budget, the government provided for privatisation revenue of

Ft150bn but has yet to sell off a single large company. Independent analysts believe consumer price inflation could

exceed 31 per cent this year, well above the initial target of

have been falsified because the funds used for the kickbacks do not appear in the company's accounts. Mr Romiti is also

under investigation in a case involving alleged shish funds at

Norwegian fears over shipping Norway's rejection of European Union membership last

influence EU shipping policy, a senior executive at Finland's

Kvaerner Masa-Yards, said yesterday. Norway is estimated to be the second largest shipping nation in Europe and fourth largest in the world. About 50 per cent of its shipowners' gross

November meant it had less opportunity than ever to

income is derived from business involving EU countries.

Masa-Yards, Europe's biggest shipyard and a member of the

"partly" rely on Finland and Sweden for support in Brussels, in spite of a tradition of co-operation. Norwegian shipowners also could not count on participating in the liberalisation of

SAS strike worries Norsk Hydro Norsk Hydro, Norway's biggest listed company, said yesterday a series of strikes at Scandinavian Airlines System could affect

Stockholm, SAS said negotiations with the three Scandinavian pilots' unions had resumed yesterday afternoon.

Mr Niels Schweigaard, head of travel management at Hydro, said the industry conglomerate would raise the strike issue when its co-operation agreement with SAS was up for

renegotiation later this year. "The SAS management will have to fix the problems or face consequences in the content of our agreement," he said. But he said that Hydro, which buys more than NKr100m (\$16m) worth of SAS tickets a year, would hardly consider scrapping the agreement given SAS's

Dutch recovery no spur to jobs

Oslo-based Kvaerner group, warned in a speech read to the Nor-Shipping conference in Oslo, that Norway could only

Mr Martin Saarikangas, chief executive officer of

its co-operation with the carrier. Air traffic around Scandinavia was paralysed for the third day in a week on Wednesday when SAS pilots went on strike over pay. The walkouts are set to continue, with Norwegian SAS pilots saying they will strike on June 28 as part of a pay dispute.

Danish pilots announced a new 24-hour strike for June 26. In

south European coastal trades.

Magistrates question Romiti

Virginia Marsh, Budapes

Italian magistrates

investigating suspicions of

false accounting at carmaker

Fiat yesterday questioned Mr Cesare Romiti (left), the

group managing director,

judicial sources said. The

investigations stem from a

report delivered by Mr Romiti to magistrates two years ago

in which he admitted that the car group had paid kickbacks

in the past to political parties.

But Mr Romiti said at the

time that he learned of the payments only after the eruption of Italy's graft

scandals in 1992. Magistrates

suspect balance sheets may

country's market-led reforms. It also needs an IMF deal to

bolster its position at home in the wake of an unpopular

austerity programme, which cut Ft165bn (\$1.35bn) from

The talks are due to focus on next year's budget and

government spending this year.

while parliament abandoned its insistence that government

Hungary starts LMF talks

party lists be reduced. Political analysts say well-organised

SIES FRIDAY JUNE 16 199

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Metherlands 82 -8.0

dominant position in the region. **ECONOMIC WATCH** 

> improved only slightly in April. confirming the view that the continued improvement in the economy has yet to be translated into a significant further decline in jobless numbers. The central statistical office said that an average of 472,000 people were registered as unemployed in the March-May period after seasonal adjustments, up from 468,000 in February-April. The March-May figure, which is equivalent to "April" in the Netherlands' system of three-month rolling averages

was lower than the 490,000 people registered in March-May 1994, but the decline is due almost entirely to a sharp improvement which emerged in the second quarter of 1994. Since then, little further progress has been made. The latest seasonally-adjusted figure is equivalent to an unemployment rate of 7.2 per cent, compared with 7.5 per cent in the same period of 1994. Unemployment among women rose to 8.2 per cent from 8 per cent a year earlier, but male unemployment fell to 6.6 per cent from 7.1 per cent.

Dutch jobless numbers have been swollen by the increasing number of women seeking to enter the labour market, as well as by family reunification among former "guest workers" from the Mediterranean and North Africa.

Ronald van de Krol, Amsterdam. Finland's industrial output in April rose 8.6 per cent from a year earlier, the central statistical office said. In March, the 12-month increase was 12.9 per cent.

### Alitalia plans grounded by pilot protests

Passengers face wildcat strikes as management moves to US-style restructuring provoke fierce opposition, writes Andrew Hill in Milan

She waited a century for it, but Mrs Emilia Roman has at last had an authentic Italian airline

Mrs Roman was given a free maiden flight by Alitalia to cel-ebrate her 100th birthday. It ended on Thursday with a sixhour wait in the departure lounge of Rome's Fiumicino airport, while a wildcat strike by pilots delayed her return flight to Venice. "It seems it's really my destiny to wait," she told Italian reporters.

Yesterday, Mrs Roman's des-tiny was shared by thousands of other passengers, as pilots continued their unofficial action in protest at Alitalia's restructuring plans. By lunch-time, Alitalia said more than half its flights out of Rome had been cancelled, with repercussions across the route network.

Meanwhile, after more than six months in which nothing much has happened to break the deadlock between pilots and management, the main protagonists in the dispute were moving fast to find some-one else to blame for the chaos. Alitalia struck first with a half-page advertisement in Italy's main daily newspapers

esterday, warning of further

disruption because of "illegal

The role of Mr Cesare Previti as defence minister in Italy's previous government headed by Mr Silvia Berlusconi was strongly criticised yesterday by an ex-cabinet colleague, writes Robert Graham in Rome. Apart from occupying the defence portfolio, Mr Previtt usurped the role of justice minister, according to Mr Roberto Maroni, then Interior minister and deputy for the Northern League. In an interview with the magazine Panorama, he claimed Mr Previti was present on all key judicial discussions even when restricted and on occasions vetoed decisions. "One had the clear impression that he was effectively the justice minister." he was quoted as saying.

This is the most outspoken criticism yet directed by one former member of the Berlusconi government against another. Mr Previti has come under increasing scrutiny in the media for his alleged role in seeking to undermine Mr Antonio Di Pietro, the best known Milan anti-corruption judge. The same magazine last week alleged Mr Previti had encouraged the denunciation of Mr Di Pietro by a Milan businessman in the wake of Mr Berlusconi being told he was under investigation ( or corruption. Mr Previti denied the allegation and threatened libel proceedings against Panorama

assencers bostage. Mr Giovanni Caravale, transport minister, then "ordered" the airline to come up with a programme of guaranteed minimum services, and the pilots to "abstain from any form of collective protest". He even fired off a letter to the hapless health minister, urging him to investigate the mystery illness used by many of the pilots to justify their refusal to fly. But behind the bickering in

protests by pilots", whom it the cockpit lies a real fear on had earlier accused of holding the part of ministers, managers the part of ministers, managers and unions, that they could all lose out if they fail to pull the long-running Alitalia dispute out of its latest nose-dive.

At issue is the ambitious restructuring plan introduced by Mr Renato Riverso and Mr Roberto Schisano last year when they were brought in as respectively chairman and chief executive of the loss-making carrier. The aim was to cut operational costs by 12 per cent and personnel costs by 20 per cent in time for full liberalisation of the European airline

sector in 1997. Mr Schisano, who learned US-style management during 20 years working for Texas Instruments, has cut staff, merged the domestic carrier Ati with the main group, and most unpopular of all - leased aircraft from Ansett of Australia, complete with crew and cabin staff, to improve Alitalia's competitiveness on the

Group results for 1994 showed the plan was beginning to have an impact. Net losses fell to L288bn (\$175m) from L344bn and losses before extraordinary items were cut to L178bn, against L431bn in

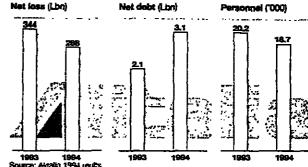
voked strong opposition from staff and triggered a series of strikes. According to Mr Schisano, each 24-hour stoppage costs the airline some L30bn to L40bn, although he is almost equally concerned about the amage to Alitalia's imag In the short term, this is where the latest action hurts the most. Until Thursday.

Italy North America routes.

the last moment. The wildcat strikes, by con-From the outset, however, the restructuring plan pro-

Strengthened by last weekpilots generally observed Italian rules which require transport workers to notify indus-

Restructuring begins to work



trial action 10 days in advance and guarantee minimum services. Passengers had time to change their plans, even if the action was often called off at

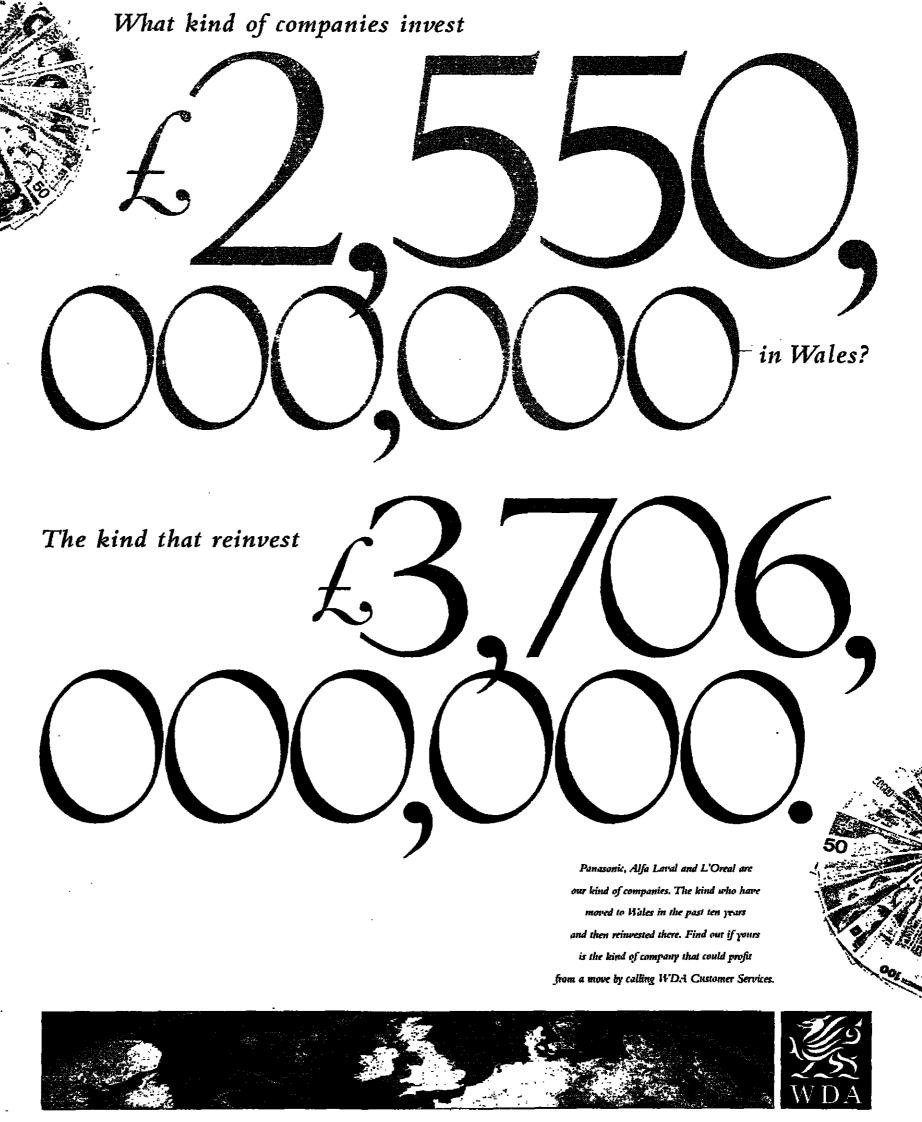
trast, have grounded thou-sands unexpectedly, just as Alitalia is gearing up for what promises to be a busy tourist season, and promoting "Magnifica", its new premium service. legal action against the pilots. but the long-term impact of continued strikes could be even more damaging.

end's referendum results. right-wing politicians may use the unresolved dispute as a weapon with which to beat Mr Lamberto Dini's government. Right-wing deputies have

already called for the resigna-tion of Mr Caravale for his failbetween the parties. Italy's main union confedera-

tions have also attacked the results dented their traditional control over workers' representation, and CGIL, one of the three main confederations, warned yesterday that wildcat strikes could be "the first worwhen small workers' groups take the initiative from unions. Unlike Mrs Roman, Alitalia

cannot afford to wait long for a solution. Mr Schisano has indicated that if his plans for Alitalia cannot be pushed through by the end of this year, the airline may have to downgrade its ambition to compete internationally after 1997.





WELSH DEVELOPMENT AGENCY



By Michael Prowse

US industrial production fell for the third consecutive month in May, making the recent downturn in factory

less steep than expected: most output the longest since the Wall Street economists had 1990-91 recession, figures indiforecast a drop of about 0.4 per cated vesterday. The Federal Reserve said cent. But it may not indicate a that industrial output fell 0.2 bottoming out of production per cent last month, following because more recent data released yesterday pointed to declines of 0.5 per cent in April further industrial weakness and 0.2 per cent in March. The

weakness last month was con-

centrated in the car industry,

this month. The Federal Reserve Bank of Philadelphia said that its index where output dropped nearly 4

cars, production was flat.

fourth consecutive monthly

The production decline was

of manufacturing activity fell sharply in June from an Manufacturing output fell 0.3 already depressed level in per cent in May to register its

Yesterday's figures also showed a sharp drop in the rate of industrial capacity utilisation from 84.2 per cent in April to 83.7 per cent last month, the lowest level in more than a year. This drop is likely to be welcomed by Fed policy makers as a sign that upward pressure on inflation is

"My view is that a fullyfledged recession is unlikely," said Mr Robert Dederick, eco-

Against the dollar (pesos per S)

mist - Mr Joaquin Vial, a for-

mer government official who

heads the economic consul-

tancy Cieplan - says a less conventional "heterodox"

He suggests the central bank

lowers interest rates and that

the government provide a withholding tax holiday for a

limited period to encourage the

remittance of dividends

abroad. It should also lower

tariffs from 11 per cent to 8 per cent, in place of a planned cut

Most controversially he

should then auction off the

transferable investment rights to would-be investors.

The government says such a

step would be too radical a

change in a country where eco-

nomic policy has been built

upon a broad social consensus.

'We remain more interested in

promoting the exit of capital

than stopping it from coming

tractors. Gamesa plans to

invest Pta16.5bn on the pro-

gramme and will seek support

from the Basque regional gov-

ernment. The company, based

at Vitoria, was set up in 1976

and is 80 per cent controlled by

IBV, a joint holding company

of Banco Bilbao Vizcaya and

the Iberdrola electrical utility.

Sikorsky's other partners in

the S-92 are Embraer of Brazil,

Mitsubishi Heavy Industries of

Japan, Taiwan Aerospace and China's Jingdhezen Helicopter

Group. Sikorsky said it hoped

to capture half of an available

world market of 5,000 units up

Agusta, a unit of Fin-meccanica of Italy, has won a

contract with the government

of Ghana for the supply of four

helicopters, according to

reports from the Paris air

Also at the air show.

Romania yesterday agreed a production accord with US company Bell to build 96 Cobra

attack helicopters for the

Romanian armed forces. The

deal involves Bell shipping to Romania its Cobra AH-1F air-

approach is needed.

in value-added tax.

nomic consultant to Northern Trust, the mid-west bank. But he added that data released so far did not yet resolve the issue of whether the US was heading for a soft or hard land-

The Fed was likely to shift a policy directive with a "bias toward easing at its next policy meeting in early July, leaving it scope to cut short-term rates if incoming data remained weak, he said.

In recent public comments Mr Alan Greenspan, the Fed chairman, has signalled his belief that the economy is going through a sluggish patch, reflecting attempts by companies to reduce excessive levels of inventories, or stocks of unsold goods.

But the view on Wall Street is increasingly that the Fed will ease monetary policy next month or in August, even if it does not expect an imminent recession, in order to sustain economic growth.

In previous business cycles the Federal Reserve has cut interest rates in response to sluggish growth during periods when a recession seemed

### Aid cuts worry Brussels

### Santer outlines hopes over US

By Jurek Martin in Washington

Mr Jacques Santer, president of the European Commission. yesterday offered the US a blueprint for wide-ranging co-operation based on the EU's role in providing "continent-

wide stability in Europe". But he also described the notional transatlantic free trade area as "unrealistic in the short term" and only worthy of consideration if it conformed to the rules of the new World Trade Organisation.

Mr Santer indirectly urged the US and Japan to settle their trade problems under the auspices of the WTO without recourse to unilateral action. 'We must live by the rules we have agreed that we want others to apply," he said.

He expressed EU concern over what he called the "draconian" cuts Congress was considering in US foreign aid. In an inter-connected world it was "unrealistic short-term thinking," he said, "to suggest that severe cuts in American aid can be absorbed without

He was speaking on the morning after a round of talks with President Bill Clinton and President Jacques Chirac of France, which holds the EU

presidency. A senior US administration

point, requiring maximum dia-

Mr Santer accepted this and highlighted a series of areas in economics, politics and security in which the EU was willing to shoulder its responsibili-

The US official proposed the creation of a working group of senior representatives from both sides charged with presenting co-operative ideas to a Ell summit to be held in Barcelona in November.

He added that the US was not seeking a formal consultative mechanism with the intergovernmental conferences on which the EU is now embarked as part of the Maastricht Two process. He said the US did not seek "a nose in the tent" but did expect to be accorded "an open ear" by the EU.

He was, in this respect, sharply critical of the lack of EU co-operation in the so-called "third pillar" of the IGCs, specifically in the fight against organised crime and the narcotics trade.

He accused European interior ministries of refusing to respond to legitimate approaches from US law enforcement agencies for joint information sharing. He was afraid that if responsibility were vested in the Commission AMERICAN NEWS DIGEST

### Pinochet backs ex-police chief

General Augusto Pinochet, the Chilean army commander, has defied the government and courts by challenging the legality of the trial and sentence for murder of Gen Manuel Confress. the former secret police chief. In an interview published vesterday in a daily newspaper the general said Gen Confreras and Col Pedro Espinosa, his former second in command, had not been given a fair trial. They had been judged by "an ad hoc court, like a Nuremberg tribunal", he said.

The Chilean army has taken Gen Contreras into its care and made no secret of its unhappiness with a Supreme Court ruling sentencing him to six years' imprisonment for the 1976 murder of a former Socialist minister. But only a week ago Gen Pinochet had said in a television interview that although he personally believed in Gen Contreras's innocence, he accepted the sentence of the court. Sources close to the government said the army had indicated it would not hand over Gen Contreras, who is in a naval hospital in the south, unless the government agreed to talks. The government insisted it would not negotiate until Gen Contreras was in jail, the sources added. The finance and foreign ministers have said that the army's attitude would harm Chile's image abroad and could affect investors' confidence. Imogen Mark, Santiago

#### Congress gives Cavallo a boost



Argentina's lower house of Congress has approved a work accidents law which Mr Domingo Cavallo (left). economy minister, sees as vital to beating record -unemployment. Passage of the bill on Wednesday night came as the government admitted that unemployment was probably 14 per cent. nearly 2 points higher than in October. The bill, which is almost certain to be passed by the Senate, will establish a compulsory insurance scheme to cover work accidents. The government argues that the current system has created a

legal apparatus which serves neither employers nor employees. The risk of big legal fees are a disincentive to hiring new workers and raise Argentine labour costs, the government says. The new scheme, supported by most official unions, will set standard rates for indemnity, depending on age and the seriousness of a given disability. Passage of the bill represents a victory for Mr Cavallo, whose relationship with Congress has soured recently. The economy minister will now seek to push through other legislation on collective bargaining, employment contracts and bankruptcy. David Pilling, Buenos Aires

#### Ecuador defence minister quits

Mr José Gallardo, Ecuador's defence minister, resigned yesterday to allow him to run for president in elections 10 months away. The retired general's popularity surged after the recent conflict with Peru. Mr Gallardo, who will run as an independent candidate, said the country "had serious problems and was being left behind" while other nations developed rapidly. He will be replaced by General Alfonso Raymond Colitt, Quito

### Chile suffers from too much of a good thing

ing more foreign exchange than it knows what to do with. As the funds flow in, the Chilean peso broke through 370 to the dollar last week, a 9.5 per cent revaluation since early April. shrugging off the effects of Mexico's financial crisis. Taking into account the inflation differential with the US, the currency has appreciated some 20 per cent in real terms in the past year.

Foreign exchange reserves now top \$15bn (£9.5bn), equivalent to more than 18 months of imports and up more than \$1.5bn since the end of the year. Local manufacturers and farmers, facing competition from cheap imports and finding exporting hard going, are clamouring for government action to weaken the exchange

But the government is in a bind. Restrictions on short-term capital inflows may have eased the problem, they have not resolved it. The inflows are potentially inflationary, encouraging the central bank to keep interest rates high to slow economic activity. This merely serves to encour-

age more capital inflows. Attracted by the country's solid economic management, including a long-standing budget surplus, foreign direct investment also continues to pour in. Mr Alvaro Garcia,

US car

dealers'

chief fears

By Michiyo Nakamoto in Tokyo

US sanctions against Japanese

luxury cars could aggravate

anti-Japanese sentiment in the

US and spill over to affect

other Japanese products, a

representative of US car deal-

Mr Walter Huizenga, presi-

dent of the American Interna-

tional Automobile Dealers

Association, said that if US

sanctions against Japanese

luxury cars went ahead there

would be repercussions on

other aspects of bilateral

"I think this could ignite a

trade war. It's something that

we can't allow to get started," Mr Huizenga said in Tokyo

yesterday where he is leading

a delegation of US dealers of

imported cars on a visit to

Japan. The \$5.9bn worth of US sanc-

tions on Japanese luxury cars

go into effect on June 28, ret-

roactive to May 20. The US

and Japan have agreed to con-tinue talks in Geneva next week but Mr Mickey Kantor,

the US trade representative. on Wednesday reiterated the US stance that unless there is

a "meaningful" agreement on

opening up Japan's markets to

foreign cars and car parts, the

sanctions would take place as

attempt to seek a solution to

the threat of sanctions

through the World Trade Organisation will not help the

situation since US dealers of

luxury Japanese cars will have

gone out of business by the

time the WTO comes to a deci-

sion, Mr Huizenga warned. "The WTO does not repre-

sent a viable solution," he

said. US dealers of Japanese

cars were already seeing a fall

in sales of cars not targetted by the sanctions. If the sanc-

tions went into effect, they

would immediately affect the

2,028 businesses belonging to

the AIADA and their 81,000

employees which sell and ser-

vice the 13 models of Japanese

taritīs.

The Japanese government's

ers warned yesterday.

trade war

he Chilean economy is getting too much of a good thing. It is received year to reach \$5bn. Last year it was \$4bn, equivalent to 9 per cent of gross domestic product.

Chile's possible entry into the North American Free Trade Agreement, now being negotiated, and an expected upward revision soon in its debt rating by at least one of the US rating agencies are fuelling investor enthusiasm. Prices for many of the coun-

> 'We are more interested in promoting the exit of capital than stopping it from coming in'

try's raw material exports have been rising sharply as commodity prices boom. This adds up to a big trade surplus this year and the likely disappearance of the current account deficit which has in past years swallowed up some of the foreign exchange inflows.

According to Mr Juan Villarzu, head of the state mining corporation Codelco, mining will by the turn of the century once more account for half the country's exports. Thanks to private investment. Chile is projected to be producing 42 per cent of the world's copper outside the former Soviet

By David White in Madrid

A little-known engineering and

components group based in the

Spanish Basque country.

Gamesa, has secured a deal

with US helicopter manufac-

turer Sikorsky expected to be

worth \$4.5bn over 25 years. Next to Spain's stake in Air-

bus Industrie, where the state-

controlled company Casa has

4.2 per cent, it is believed to be

the biggest export agreement

for the Spanish aerospace sec-

tor. Gamesa has not previously

Sikorsky, part of United

Technologies, which recently

sold its stake in Westland of

the UK, is to give the Basque

group a share of about 7 per

cent in its new medium-size

S-92 helicopter, launched this week at the Paris air show.

The helicopter will be a direct

competitor in both the civil

and military markets for the

EH101 made by jointly by Westland and Agusta of Italy.

Sikorsky plans to assemble

the final airframe in Stratford,

Connecticut, from sections

made in Spain, China, Taiwan,

Japan and Brazil, and to start

made parts for helicopters.

Union countries, which in any case are not likely to be important exporters.
Some Chileans are worried

that so strong is the country's position in minerals that it will suffer its own version of the "Dutch disease" that results from one extremely profitable sector (in the Dutch case oil and gas) overshadowing the economy. Mr Sergio Bitar, a left-wing senator and member of the governing coalition, thinks mining could be profitable at an exchange rate of 150 to the dollar "but the rest of the economy needs 400-450".

Government officials say part of the peso's strength arises out of the dollar's weakness, and more than 60 per cent of the country's exports head towards Asia and Europe which are unaffected by peso strength against a weak dollar. They say manufacturing exports continue to increase though profit margins are being squeezed. Furthermore, the future most likely source of growth in the economy will be mainly through commodities and services, not so hurt by a

sation programme. However this has had little impact, say economists, because returns in the Chilean

urges the central bank to fix for a limited period a quota for the desirable level of capital inflows. The central bank

strong exchange rate. Mr García says Chilean companies are also being actively encouraged by the government to invest outside the country. for example, in Brazil's privati-

market are so high. One econo-

Mr Kenneth Kelly, a Sik-

orsky vice-president, said it

would also bring Gamesa into

its Black Hawk military heli-

copter programme if it suc-

ceeded in selling the aircraft to

An earlier plan for Westland to make Black Hawks for Saudi

Arabia under licence has been

dropped. Mr Kelly said the UK

company was not in the run-

The Gamesa deal followed 18

months of discussions. "It

really wasn't a competition.

We just went straight to

Gamesa because we were

impressed by its capability."

The Basque group, which will make the rear fuselage

and the pylon for the rotor sys-

tem, produces auto and aircraft

parts - including fuselages for Israel Aircraft Industries - and

industrial systems. It had sales

of Pta34bn (\$279m) last year.

The Sikorsky deal, including

spares, is expected to add 25 per cent to this annual figure

when the helicopter is in full

The project will create about

ning for the S-92 project.

the Spanish army.

Mr Kelly said

in," says Mr García. Stephen Fidler

#### **NEWS:** WORLD TRADE

#### Spanish group secures **Qantas launches** tit-for-tat action \$4.5bn helicopter deal in Hong Kong 1.700, and the rest at sub-con-

By Nikki Talt in Sydney

Qantas, the Australian airline scheduled for privatisation this month, yesterday began a legal challenge to the Hong Kong government's move to restrict its traffic rights.

Qantas filed an application in the Supreme Court in Hong Kong seeking a judicial review of the government's decision and challenging the Hong Kong authorities' right to impose conditions on the airline's operating permit issued under bilateral treaties.

The Qantas action mirrors steps by Cathay Pacific, Hong Kong carrier, in Australia. Cathay has begun court pro-ceedings in Sydney in an attempt to stop the Australian government preventing it flying to Australia after June 30.

Both legal moves stem from a rumbling aviation row between the two countries about so-called "fifth freedom" traffic carried by an airline between destinations outside its home country. Cathay has been unhappy about the

which Qantas has been picking upin Hong Kong and flying to Singapore and Bangkok. It has also claimed that Qantas has been using fifth freedom rights to offer services to European

In April, the Hong Kong government said it would restrict Qantas' fifth freedom rights to 50 per cent of traffic on its Hong Kong-Singapore and Hong Kong-Bangkok services from July 1. In retaliation, the Australian government said that it would only approve services by Cathay to Australia until June 30.

Yesterday, in the course of the Cathay court hearings in Sydney, Australia's federal department of transport made clear that it would give the Hong Kong airline an indication of the conditions it will place on its operations in Australia by Tuesday. There is no suggestion that Cathay will not have a (flight) timetable said Mr David Bennett, acting for the government.

WORLD TRADE NEWS DIGEST

### **Boeing's demo** flight deflated

A demonstration flight of the new Boeing 777, carrying transport ministers from several countries, was forced to fly at reduced altitude this week after a loss of cabin pressure. Boeing said the loss of pressure was imperceptible to the 112 passengers, who included Mr Federico Peña, the US

transportation secretary, and transport ministers from several countries of the Asia-Pacific Economic Co-operation forum. The aircraft landed in Denver where the pressure loss was raced to loose clamps holding air-conditioning ducts in place. Problems with air conditioning ducts caused a rapid loss of pressure during a 777 test flight in February, injuring three crew members. In that incident, a valve supporting the air conditioning ducts also failed, causing a rapid loss of pressure In this week's incident, the valve held, ensuring only a slow

Boeing said final adjustments to the air conditioning ducts nad not been made on the aircraft involved in this week's incident because it was still being tested. The company said: "It's an embarrassing event for Boeing but it doesn't signify any problem for the airplane or the design of the Michael Skapinker, Aerospace Correspondent

### China to fix cotton export prices

China is bringing its cotton export companies under the control of a state trading organisation which will set a single export price, part of Beijing's attempt to stamp out price speculation in commodities trade. China Textile News reported that all Chinese companies trading cotton will from this year be answerable to the Cotton Dealing Centre which will be responsible for setting a unified price for exports. The imposition of state control follows severe shortages of cotton in recent years that pushed up prices and fostered a black market for cotton. James Harding, Washington

#### EU seeks steel pact with Turkey The European Commission is asking member states for

permission to negotiate a free trade agreement in steel products with Turkey. It said steel products were not included in a recent customs union pact and a separate agreement was

The EU has a trade surplus with Turkey in steel products. It exported 1.43m tonnes, or Ecu555m worth, in 1993, compared with imports from Turkey of 53,000 tonnes worth Ecu22.3m. According to the commission, EU duties on Turkish steel were low, at between 4 and 5 per cent, while Turkey imposed high levels of protection against the EU. Without an agreement Turkish duties would average between 20 and 30 per cent, it Emma Tucker, Brussel

■ Caspian, the investment group being set up by Mr Christopher Heath, founder of the Asian equities business at Barings bank, has announced a five-year contract with Hewlett Packard, the US computer and electronics manufacturer, to set up an information technology infrastructure. HP will work with Andersen Consulting to plan the technology and will subcontract the supply of communications networks to British Telecom. The contract covers all computer systems and software for offices in New-York, London, and Asia.

■ The European Commission has started an anti-dumping investigation into imports from South Korea of polyethylene terephtalate film for use in the production of video tape. The investigation follows a complaint in February from Hoechst. Diafoil, Rhone-Poulenc Films and Teijin-Du Pont Films after a big rise in PET film imports.

#### 2,000 jobs in Spain, with 190 at Gamesa itself, Which employs production in the year 2000. craft for local assembly. Fears grow over US investment in India

By Mark Nicholson

Indian and US officials have launched a flurry of visits and statements aimed at limiting the damage to US and foreign investors' confidence caused by the state government of Maharashtra's review of the Dabhol power project, the big-gest US investment in India. Mr N K P Salve, India's

power minister, yesterday arrived in the US on a twoweek UK-US tour designed to persuade investors of the central government's strong support for foreign backed power projects. He is accompanied by 30 officials and industrialists from the Indian power sector. Mr P Chidambaram, India's commerce minister, also left

laxury cars facing punitive for the US yesterday. In London, Mr Salve said "There has to be some sort of a negotiated settlement." investors should not be deterred by the new Hindu

nationalist government of Maharashtra's review of the \$920m project. He said the government would do all it could to prevent the state government reneging on the project. Enron, the US power group. has already begun work on the

site and says it has drawn down \$300m of its borrowings. The project is the first big foreign-backed power project to complete financing. However, during their recent successful election campaign. the Bharativa Janata Party and Shiv Sena Hindu national-

ist alliance alleged corruption in the negotiation of the deal. They also said the project was too costly and the tariff from the first phase too high. This is denied by Enron, which leads the Dabhol consortium. The state government's

review has sparked consider-

able international concern over

India's reliability as an invest-

particular that it may set a precedent for incoming governments to abridge or annul contracts agreed by their predecessors. "Enron is not simply another power project, the credibility of our reforms depend on it," Mr Salve said. The former chief minister of Maharashtra state, Mr Sharad

ment partner, raising fears in

Pawar, who authorised the deal, has defended the Enron project saying it would ensure the industrial future of India's richest state. He warned that Maharashtra, of which Bombay is the capital, would have to pay penalties of up to Rs9.0bn (\$286m) if it scrapped the deal. The US energy department last week warned that cancel-

lation of Dabhol would jeopard-

ise "most, if not all the other

private power projects being

proposed for international fin-

ancing" - a warning which

provoked an angry reaction in

PAKISTAN DETH

India, hardened anti-Enrou sentiment in the Indian press and dismayed US diplomats. who felt it was tactlessly heavy-handed.

Mr Frank Wisner, the US ambassador to India, yesterday sought to play down the potential damage to US-Indian com-

mercial relations and said investors should distinguish between the political signals, particularly from Hindu nationalist parties and state governments, and their underlying commitment to liberali-Sing economic policies. "Enron has its own dynamic," he said. "Neither

have I seen any steps by the government of Maharashtra or the [BJP Hindu nationalist] government of Gujarat which would limit the activities of American businesses. The two countries will next

week inaugurate a new US-Indo Commercial Alliance at a meeting in Santa Clara, California, under the joint auspices of Mr Chidambaram and Mr Ron Brown, US commerce secretary. The alliance, said Mr Wisner, "is as clear a signal as the US government has to say we think this is a good time to

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at fate be met. Thus clear in the eyes of e Pelestinians that there The affirst redeployment to the Polystonians to conduct emations and a farther ploment later, then July a bossible, he said. a letter redeployment in

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### World arms spending 'is still falling'

By Bruce Clark, Diplomatic

Military spending is rising significantly in south and south-east Asia, but continuing to fall in the world as a whole. the Stockholm International Peace Research Institute says. A summary of its annual report on arms and security shows military spending by India and Pakistan up 12 and 19.5 per cent respectively between 1992 and 1994.

The fast-growing nations of south-east Asia were buying more arms and "the types of weapon being purchased indicate clearly that major resources are being committed to enhancing power-projection capabilities." Despite the upswing in Asia, "aggregate world military spending con-tinued to fall in 1994, driven by falling expenditure levels in the industrialised countries".

Sipri had stopped trying to put a precise figure on global military spending because data on China and the former Soviet republics were inadequate; some central and eastern European countries were also making it harder to obtain information on their defence budgets.

Sipri estimated that value of global trade in major conventional weapons, expressed in 1990 prices, had remained steady last year at \$21.7bn (£13.5bn). This meant the size of the world arms trade had remained stable since 1991, after falling between 1987-91.

Some surprising regional shifts were detected. Among recipients of major conventional arms, Europe's share had climbed from 26 per cent in 1985 to 31 per cent in 1994. Press E60

with the Middle East's falling

from 31 to 24 per cent. former Warsaw Pact nations having fallen sharply. As part of the reason, Sipri notes that "south-eastern Europe, particularly Greece and Turkey, has seen significant deliveries of

major conventional weapons".

Mr Alexei Arbatov, the Russian security analyst, warns in the year-book that anti-missile defence programmes being developed by the US and Russia could undermine the fabric of strategic arms control. These "seem excessive in rela-tion to avowed current threats or hypothetical future threats" and could undermine the Anti-Ballistic Missile Treaty.

That in turn could prompt other nuclear weapon states to upgrade their forces, and weaken the constraints on potential proliferators. Mr Arbatov argues.

On a more encouraging note, another essay reports: "The nuclear arms race appears to have largely halted" and that any remaining research and development on nuclear weapons "has a decidedly end-of-era feeling".

The world's total of operational nuclear warheads was estimated at no less than 20,000. The US had 7,770 strategic and several hundred tactical warheads; the former Soviet republics 8,257 strategic and 2,000-6,000 tactical warheads; France some 500 warheads; UK 250-300; China about 300; Israel under 100. Sipri Yearbook 1995: Arma-

ments, Disarmament and International Security, available September Oxford University

### **NEWS: INTERNATIONAL**

## Halifax contest over who speaks for poor

'Alternative summit' groups find some of their issues taken up, writes Gillian Tett



world's leading industrialised economies got under way in Halifax, Nova Scotia, yesterday it was not the only party

in town. short walk from the official waterfront conference centre, a group of non-governmental aid, environmental and protest organisations (NGOs) are hosting an alternative summit, discussing topics ranging from United Nations reforms to the World's Weavers - with a drumming circle session and protests from the Raging Grannies group thrown in.

For seasoned summit-goers. the event, known as the "P7" or "Peoples' Summit" - is likely to provoke a certain cyn-

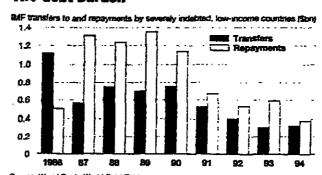
In the last 10 years G7 summits have increasingly been shadowed by alternative events sporting the odd title of "Toes" (The Other Economic Summit). Organised by NGOs,

As the G7 they have protested about the summit of the lack of a third world voice at the G7 - and almost as consistently been ignored by G7 officials.

But this year's event has a slightly different undertone. Some groups scent that a few of their demands have been edging off the streets and into the mainstream agenda of international politics - not least because of behind-the-scenes contacts that have occured between NGOs and G7 officials in the run up to the conference.

One indication came from leaked drafts of the G7 communiqué last week which suggested that development and poverty issues may be some of the most controversial areas of the debate. One particularly controver-

sial subject is multilateral debt. For the last four years, groups such as Christian Aid and Oxfam, have been cammultilateral debt of the world's poorest countries written off, pointing out that these countries have been repaying more The debt burden



strongly opposed the scheme.

Ms Jessica Woodroffe, head

of campaigns at Christian Aid,

says: You have to remember

that when we first started

talking about this there was no

one who would listen to us. It

is progress that they are even

discussing this at the G7."

to the International Monetary Fund than they have been

These campaigns were boosted last year when Mr Kenneth Clarke, UK chancellor proposed that the IMF should sell part of its gold to be re-invested in interest bearing accounts for debt relief. Preliminary drafts of the G7

Some of the groups are gloomier, particularly over the communiqué suggest the issue debate about the reform of is still being negotiated, not Bretton Woods institutions. least because Germany, Japan and the IMF itself have able. There should be an which they don't have compe-

and ignoring social and economic concerns.

But the fact that the G7 summit is even discussing the role of the Bretton Woods institutions has encouraged Mr Cam-eron Duncan, the Washington-based economic adviser for the

environmental Greenpeace group. "We do have great expectations for this meeting because last year's summit committed the G7 to doing a review of the Bank and Fund as institutions," he says. However, early drafts of the

orderly shut down," says Mr

John Theodo of the Canadian

group Probe, which monitors World Bank operations, and.

like many other NGOs, accuses

it of fuelling, rather than allev-

iating, third world poverty,

tion that the G7 will request any dramatic change in the mandate of either the Bank or the Fund - or curtail their overlapping roles, as many NGOs are demanding.

"Part of the problem at present is that the Bank and Fund have been getting into areas in tence," says Mr Kevin Watkins of Oxfam, who claims that the IMF has increasingly become involved in longer term quasidevelopment projects - traditionally the preserve of the Bank - in spite of its short-term mandate. The new IMF financing mea-

sures proposed in the draft to avoid another Mexican style financial crisis are also unlikely to satisfy many NGOs, which are insisting that a sweeping review of capital flows - with possibly even a currency transaction tax or the strengthening of local currencies - is needed to help developing countries.

One area where some NGOs might draw a crumb of encouragement is in calls for the IMF to have more transparency.

Away from the placards, the main mood in the NGO camp is stoic. For though the P7 may give some colour to the events in Halifax, many NGOs already have their lobbying eyes fixed on another event - the annual meeting of the World Bank and IMF later this

### US confirms clash between Iraqi military units

there was an exchange of fire between lraqi military units near a radio sta-tion close to Baghdad on Wednesday, a Clinton Administration official said yesterday, Reuter reports from Washington and Damascus.

"There was some shooting around that radio station. It was apparently a minor skirmish and it had no effect whatsoever on Saddam's government," the official, who asked not to be identified, told Reuters in a reference to Iraqi President Saddam Hus-

US intelligence has confirmed that sein. "But it illustrates that there is cuted on charges of trying to over- cus that the rebellion continued in after heavy fighting in the Abu opposition to Saddam." The comment came as the Iraqi

opposition in exile, ignoring government denials of any unrest inside Iraq, said that loyal army units had encircled a rebel tank battalion on the outskirts of the capital Baghdad.

Opposition officials said the trouble began on Wednesday when the authorities sent home the body of the brother of an army brigadier, a former air force officer who was exe-

throw Saddam. "It [the shooting] was in reaction to

the death of the air force general," the administration official said. Opposition leaders based in Damascus said the leader of the mutiny had died in battle and his forces had withdrawn from the outskirts of Baghdad, westwards towards the

Euphrates. The opposition Supreme Council of the Islamic Revolution in Iraq (SCIRI) said in a statement issued in Damaspeople had seized weapons from gov-

Previous reports from Shia opposition groups in exile said government forces had failed to crush the mutinous July 14 tank battalion, commanded by Brigadier Turki Ismail al-Dulaimi, in fighting at Abu Ghraib just outside the capital.

Mr Isra al-Maliki, a spokesman in Damascus for the Islamic Daawa Baghdad-based diplomats are also party, earlier yesterday said that,

the Fallouia and Ramadi areas, where Chraib area on Wednesday, it was quiet while the two sides prepared their next moves.

The official Kuwaiti news agency Kuna quoted a SCIRI statement in Tehran as saying that fighting continued at Abu Ghraib with tanks, helicopters and other armoured

The Iraqi government has denied

### Israel gives terms for self-rule deal

Israel said yesterday it could as the Palestinians accepted a two-stage Israeli troop withdrawal from the occupied West

Mr Shimon Peres, Israeli foreign minister, said in an interview that only three obstacles now stood in the way of an agreement: the scope of a troop redeployment, the size of an elected Palestinian council, and how Arab residents of Israeli-occupied East Jerusalem would be able to participate in Palestinian elections expected later this year. The latter two issues could be resolved by the Palestinian and Israeli political leaderships on the last day of negoti-

Palestinians charge that Israel has consistently delayed and obstructed the process, now at least one year behind schedule, and are insisting the July 1 date be met.

If it is clear in the eyes of the Palestinians that there will be a first redeployment to allow Palestinians to conduct negotiations and a further redeployment later, then July 1st is possible," he said. "If there is an attempt to insert the further redeployment in

By David Gardner, Middle East Editor

day in London.

Israel could succeed in putting

its occupation of Arab east Jerusalem beyond the reach of

negotiation and diplomacy unless the Arab world reacts

quickly, according to the Inter-

national Campaign for Jerusa-lem, formally launched yester-

The campaign, inspired by

leading figures in the Palestin-

ian diaspora, aims to counter what it regards as a largely

successful Israeli propaganda

campaign presenting all of the holy city - including the east-

ern quarter annexed after the

1967 Arab-Israeli war - as

Successive UN Security

Council resolutions since 1967

have condemned the occupa-

tion of east Jerusalem and the

West Bank as illegal. In spite

of this, Israel has used a dis-

criminatory housing policy

inside the city and an exten-

sive Jewish settlement policy

around the eastern quarter to

ensure that Arabs in the east

and within "greater Jerusa-

lem" are in a minority.

Israel's rightful capital.

Jerusalem fight'

ferent story." The message was conveyed reach an agreement with Pal- to Mr Yassir Arafat, chairman estinians to extend self-rule by of the Palestine Liberation a target date of July 1 so long Organisation, in a meeting esterday in Gaza with Mr Yossi Sarid, Israeli environment minister

"If we want to achieve a full, complete, finished agreement on all the details and nuances, then I think July 1 is not a realistic date," he told Israel radio. "But if we want to a achieve an important agreement, an honourable, if not entirely complete agreement which will allow for elections in the territories in four months under fair conditions then July 1 is still a realistic

Mr Peres also said he was working on three projects to give the Palestinian self-ruled areas an economic injection which would show immediate

The projects are to raise finance to build 100,000 housing units for Palestinian families in self-rule areas and in Jordan; to train Palestinians to fill high-level technical high-tech sector; and to implement an agreement to con-struct industrial parks on the Israel-Palestinian border to provide employment for Pales-tinians.

Under the 1993 peace process between Israel and the Pales-

tine Liberation Organisation (PLO), control over the divided

city will not be discussed until next year. Palestinians regard

the eastern quarter as the capi-tal of the future national state

they hope will emerge from the

woman of the campaign and a native of Jerusalem, said that

because of Israeli settlement

policy and confiscation of Arab

land, "the city we knew is dis-

appearing before our very eyes,

and will shortly be beyond

Professor Edward Said, a

leading Palestinian polemicist

said Israel was "gouging out a gaping hole in the (occupied)

territories", by cutting off the

West Bank from its natural

hub of east Jerusalem. Under

delayed and still problematic

negotiations between the PLO

and Israel, Palestinian auton-

omy should spread from Gaza

and Jericho to most of the

occupied West Bank through

Israeli troop redeployment and

elections in Arab towns this

Dr Ghada Karmi, chair-

peace negotiations.

### Kenyan budget revives reform drive

By Michela Wrong in Nairobi

Mr Musalia Mudavadi, the Kenyan finance minist terday unveiled a 1995-96 budget aimed at calming donor fears that his government is backtracking on economic reform.

He announced the end of a controversial ban on imports of sugar, wheat, milk and malze and pledged to press ahead with reform of the state sector. The six-month ban, introduced in April on the grounds that cheap foreign imports were harming local producers, had been viewed by economic analysts as a worrying indication that Kenya was not committed to a free market economy. A recent International Monetary Fund delegation to Nairobi had pushed for it to be reversed.

By lifting it nearly four months ahead of schedule, Mr Mudavadi has removed what was going to be a bitter bone of contention at a key meeting with donor governments scheduled in Paris for July 24.

Mr Mudavadi, regarded in the west as one of the champions of Kenya's radical two-year reform drive, also promised progress on the privatisation of the country's state sector. which appears to have ground almost to a halt after an initial **Arabs 'losing east** flurry of activity. He said Kenya Airways, the

national carrier, would be privatised by the end of the year and companies such as Kenya Railways, Kenya Ports Authority, Kenya Posts and Telecommunications and the national electricity utility would also be targeted for privatisation and restructuring. By the end of the year, a third of the 146 companies awaiting privatisa-tion would be floated, he said. To encourage investment in newly privatised companies Mr Mudavadi said the ceiling on

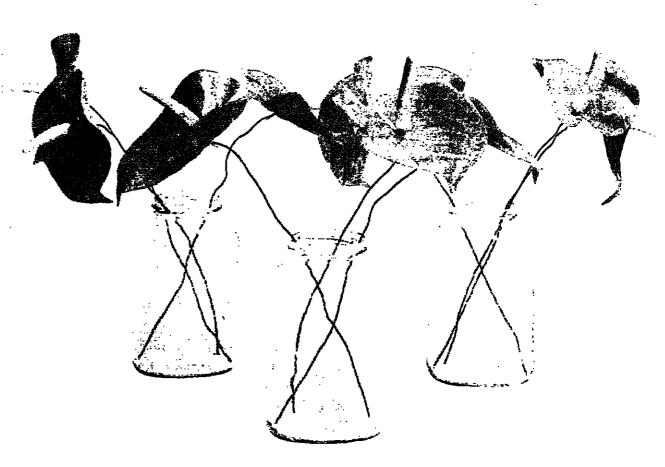
foreign investment in compa-

nies floated on the Nairobi Stock Exchange would be lifted

to 40 per cent from the current

20 per cent. The limit has long been regarded as one of the main reasons for the low levels of activity on the bourse six months after it was first opened to foreign investment. Looking back on a year in which Kenya enjoyed 3 per cent GDP growth and saw a sharp fall in inflation after two years of stagnation, Mr Mudavadi appeared in upbeat mood. He expected a range of steps to widen the tax base and improve duty collection would swell Treasury coffers and forecast 5 per cent growth in 1995 and 5.6 per cent in 1996. The budget deficit, he said, should be eliminated altogether after falling sharply in





is', by Kathama Fritsch, a Couts Contemporary Art Friendawn 1994 awaid wanter © Hahama Frinch

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By William Dawkins In Tokyo

Japan is to bring forward its next economic stimulus plan from the autumn to next month, in an attempt to strengthen so far inadequate attempts to stave off a second recession.

The embattled coalition government plans to launch its second package of the year before the July 23 upper house elections, following an estimated Y3,300bn (\$38bn) of public spending and deregulation measures in April, widely seen as

of the yen's strength, which is further points to 14,867.26, its second day of recov-

epressing growth. Mr Yoshiro Mori, secretary-general of the ruling Liberal Democratic party, yesterday called for cuts in property and secu-rities transaction taxes to be included in the package, to halt the decline in asset prices which has held up bank lending and industrial investment.

But there is little chance a divided coaliasufficient. tion will be able to agree on radical tax Yesterday's decision coincides with reform, a senior LDP policy official admit-

ery after falling to a 34-month low on Wednesday.

As if to reinforce Japanese companies' anxieties over the trade imbalance, the finance ministry announced yesterday that the surplus rose 7.1 per cent to \$6.98bn in May, compared with the same month last year.

Within this, the dollar surplus with the US rose 8.7 per cent to \$3.3bn, a figure likely to bolster the yen and harden Wash-

caused by the dollar's fall against the Jap-

anese currency over the past year. Mr Takashi Imai, chairman of the Japan Iron and Steel Federation, said a "comprehensive" package of economic and industrial reform was needed. A weaker-thanexpected recovery in steel demand and a rise in inventories were a "warning sig-

Mr Imai's fears were underlined by the international trade and industry ministry. which admitted industrial output in April

Business leaders voiced alarm yesterday at the government's inability to take deci-

Mr Minoru Makihara, president of Mitsubishi Corporation, Japan's largest trading company, dismissed as "half-hearted" last week's government scheme to help the banking system. The government does not have a clear thought of what they

want to do." he said. The economy had remained stuck at the bottom of the cycle for the past two years,

growing demands from business leaders for vigorous action to stimulate the economy and curb the trade surplus, a source of the very's strength which is further or the very strength which is st groups were now predicting increased sales. Deregulation especially in poorly competitive service sectors, was essential But Mr Makibara complained the government lacked the political leadership to deregulate the economy.

Officials of the Keidanren, Japan's main business lobby, yesterday urged the use of public money to shore up the financial system. This use of taxpayers money is unpopular with Japan's disgrantled voters, but is gaining growing support in business circles, anxious about a shortage

### China 'risking collapse' from fiscal weaknesses

China risks disintegration if it does not act decisively to strengthen central government revenues, improve tax collection and formulate a new tax distribution system, a leading researcher has warned.

Mr Hu Angang, a senior fel-low of the Academy of Sciences, a government think-China's fiscal weakness in one sense recalled problems in the former Yugoslavia, where the erosion of central revenues had contributed to the collapse of the state.

Beijing's revenues accounted in 1994 for 5.1 per cent of gross domestic product compared with 6.8 per cent in 1992. In the US, central revenues account for about 20 per cent of GDP, in Japan about 14 per cent, and in Britain about 35 per cent, according to Mr

Mr Hu noted that in Yugoslavia, on the eve of its dissolution amid ethnic strife, such

cent. Although he was at pains to say that China was in no imminent danger of fragmenting, he warned that the parlous state of China's finances threatened to undermine central authority at a time when wealthier provinces were asserting their independence. Beijing was endeavouring to counter this trend, but its efforts were inadequate.

'China's problems recall those of former Yugoslavia'

"Instead of getting better the situation keeps changing for the worse," Mr Hu said. He blamed Beijing's problems partly on resistance from the provinces to new tax reforms introduced in 1993.

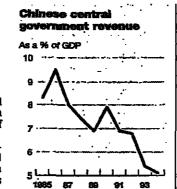
Powerful provincial chieftains had prevailed on the centre to give ground on new revenue-sharing arrangements. These had been aimed at

more equitable distribution of tax revenues to poorer areas. Mr Hu said Beijing was losing out in the "political games" being played with

wealthier provinces such as Guangdong and Zhejiang. Poorer provinces were being further disadvantaged and the prosperity gap was widening. Mr Hu is regarded as something of an iconoclast and doomsayer among Chinese academics, but the fact that he is able to publish his work and speak relatively freely indi-

cates that powerful figures in the leadership see political benefits in allowing his warnings to be publicised. His predictions bolster arguments by leaders such as Mr Zhu Rongji, the executive vicepremier in charge of the economy, who have been pushing for a strengthening of central control after the rush to decen-

tralise in the early 1990s. Mr Hu is urging the governincluded. ment to reinforce a weak taxcollecting regime, stiffen pen-



alties for tax evasion and avoidance, and abolish special economic zones providing tax incentives for new investment.

He said one glaring example

of central budgetary weakness was the fact that the military had to become involved in business activities like operating hotels simply to keep afloat. "This is unheard of in any other country," he said. A western economist challenged Mr Hu's gloomier pre-dictions about a possible break-up of China, and said central finances were not quite as serious as described when "off-budget" items were

Additional research by Jiang

### Manila planning taxation reforms

The Philippine government will launch a far-reaching package of direct tax reforms as soon as the new Congress begins its first session on July 24, Mr Roberto de Ocampo, finance minister, said in Lon-

don yesterday. The package will aim to broaden the tax base and improve collection in an effort to raise the share of fiscal revenues to around 18 per cent of gross domestic product over the medium term from 15.5 per

cent at present. That would put the Philip-pines in line with its fastergrowing partners in the Association of South East Asian

Nations, Mr de Ocampo said. It could contribute to a rise in the country's relatively low 16 per cent savings rate and would secure an improvement in the fiscal position, which was in surplus last year for the first time in two decades.

"We think this tax reform is going to be a major legacy of

this administration and one of the vital foundation stones of our efforts to have sustainable economic growth beyond the year 2000," he said

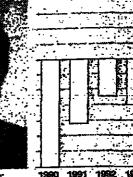
The package would draw into the tax net more companies, only 40 per cent of which currently pay tax. Corporation tax would fall to between 20 and 25 per cent from 35 per cent, but the new rate would be based on gross sales rather than net income.

Reform of personal tax would involve automatic deductions, increased thresholds and a clear set of rating hands. As with corporation tax, this would streamline collection and remove room for discretion, corruption and tax evasion, he said.

Mr de Ocampo said his tax reform task force was already working with congressional leaders to ensure support for the package. The earlier introduction of value-added tax ran into problems - its extension to services is still held up in the supreme court - because it had not been properly



Philippines' fiscal balance



ks sustained growth beyond 2000

explained at the outset. The new reforms were "pro-poor and pro-progress", he said.

He was also planning a series of "talk naughty" golf-course meetings with business leaders in which he would invite them to identify loopholes in the new system so that they could be closed off before it entered force.

In the first year of the programme net tax revenues would probably rise only 1 per cent or 3bn to 5bn pesos (£73m to £121m), but the benefits would grow as more companies were caught in the net. The government expected a

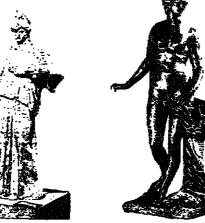
further 16bn pesos in revenues

Source: Duff & Photic Chaff Felling Co

this year from "re-privatising" organisations such as the Phil ippine National Bank and Manila Hotel, as well as enterprises in the smelting and fertiliser sectors.

Later it would privatise organisations which have always been state-owned such as Philippine National Power, but this would involve a gradual approach, initially involving only a private sector management contract. A direct sale of the power business was impracticable because of uncertainty over the impact on national electricity prices from the development of a nation-













Venus of Arles", Roman







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### budget criticised by IMF By Farhan Sokhari

**Pakistani** 

Pakistan's annual budget, unveiled on Wednesday, is incompatible with conditions agreed with the International Monetary Fund earlier this year as part of a three-year structural adjustment programme, the IMF representative in Islamabad said yester-

Mr Harry Snoek, the fund's resident official, said in an interview: "It is a deviation from our programme. Now we want to discuss how we can continue. We are continuing our dialogue."

The government yesterday reiterated its commitment to the adjustment programme, while saying its pace had to be slowed in the budget to suit the country's needs.

Mr V. Jafarey, adviser on finance to the prime minister. Ms Benazir Bhutto, said: "We are not making any U-turns or deviations from the programme. Macroeconomic stability and structural reforms remain our goal but the pace of adjustment has been modified to suit our own conditions."

Pakistan's decision to cut maximum tariffs by only 5 percentage points to 65 per cent in the budget has raised concerns over the country's relations with the IMF, which wants to see a reduction to 40 per cent

The government set a target of reducing its deficit to 5 per cent of gross domestic product in the 1995-96 fiscal year, against a target of 4 per cent agreed earlier with the fund. The government's borrowings from local banks are also set to double during the year, raising further concerns that the country's macroeconomic management may worry its western lenders. The government's set target

for borrowings, which last year was PRs15bn (\$485m), has been raised to PRs30bn. Mr Jafarey said Pakistan would discuss the new targets when an IMF mission visits later in the year. Western officials cast doubts

on Pakistan's ability to continue with the programme. One western economist said: "The targets are now way off mark. It would be difficult for the Fund to continue the programme." Other economists said they

understood the IMF might ask Pakistan to reconsider its tar-Pakistani officials were optimistic the country's foreign

exchange reserves, at \$2.6bn had created a comfortable cushion for Islamabad, a point that would weigh in its favour during talks with the fund. The IMF programme was

agreed two years ago amid a balance-of-payments crisis when the reserves dipped as low as \$280m.

### ASIA-PACIFIC NEWS DIGEST

### Tokyo ministry in monopoly row

A Japanese delivery company has taken on the Ministry of Posts and Telecommunications in a row that highlights the difficulties in challenging the public monopoly on postal deliveries in Japan.

The ministry has warned Yamato Transport, a leading door-to-door parcel delivery service, that a service introduced by a subsidiary breaches Japan's postal law. Yamato Transport's unit in the southern island of Kyushu began a service delivering credit cards on behalf of card companies at rates about 10 per cent below those charged by the post office

The ministry has insisted credit cards are letters over which the post office has a monopoly. The postal inspector's office, which has the authority to inspect any breaches of the postal law, could start an inquiry and possibly take Yamato to court

Yamato says credit cards are not letters and is prepared to face the ministry in the courts. The company, which won a battle against the transport ministry over its parcel delivery service, is known for its refusal to buckle in the face of bureaucratic pressure. Michiyo Nakamoto, Tokyo

### US concern at Spratlys dispute

The commander of US Pacific forces yesterday voiced concern at rising tensions in the South China Sea as the Philippines said it had destroyed another Chinese marker in the disputed Spratly islands. Admiral Richard Macke said the US backed freedom of navigation in the Sea but deplored actions by some of the nations disputing ownership of the Spratlys.

"I am concerned with the actions of several countries that have increased the tension in the South China Sea," he said after a one-day meeting of the US-Philippines Mutual Defence Board. The meeting coincided with disclosures by Manila that its navy had destroyed a Chinese marker in the Spratlys in an apparent signal to Beijing that it would not allow intrusions into areas in the islands that it claims.

### French arms sales in jeopardy



French arms sales worth up to \$147m may be in jeopardy as New Zealanders vent their anger at France's decision to restart nuclear testing in the South Pacific (depicted on the front page of a Sydney newspaper, left). Officials said yesterday two French tenders to supply the New Zealand armed forces were under

review as part of a freeze on

military co-operation. They said Eurocopter, the Franco-German joint-venture, was one of four companies invited to bid for a \$134m contract to supply up to six helicopters for the Royal New

Emilio Terazono, Tokyo

Zealand Navy. Matra of France was also competing with Hughes of the US to supply the army with surface to air

#### 'Comfort women' fund outcry

The Japanese government's plan to create a private fund to compensate women forced to provide sexual services for the Japanese army during the second world war has prompted an outcry from international citizens' groups.

Public funds - Y24bn (\$279m) this fiscal year - will be funnelled through the Asian Peace and Friendship Fund for Women, but the plan has been seen as an attempt by the Japanese government to avoid taking direct responsibility over the issue. It has drawn criticism from South Korean. legislators, citizen's groups and a Dutch group representing prisoners of war and the so-called comfort women.

The government only officially recognised the atrocities in 1991 and apologised in 1993.

■ China's consumer price index in May was 20.3 per cent higher than in May 1994, the State Statistical Bureau said, and down from 20.7 per cent in April. ■ Japanese prosecutors have indicted 18 people on charges of violating the Anti-Monopoly Law, all allegedly involved in a bid-rigging scandal concerning public sewage projects. They are a former senior official of the Japan Sewage Works Agency and employees of Hitachi, Toshiba, Mitsubishi Electric, Fuji Electric, Meidensha, Yaskawa Electric, Nissin Electric, Shinko Electric, and Takaoka Electric Manufacturing. Reader, Tokyo

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### THE GERMAN PFANDBRIEF

Safety and yield in a stable currency

### German Pfandbrief gaining international recognition

he German Plandbrief, which traces les roots lack over 200 years, is a unique fixed income bond which combines an attractive yield with nick solid security. The term "Plandbrief" has no recogniable equivalent in English.

The origins of the instrument in Germany date back to 1769 and to a decree issaed by Frederick the Great which provided for secured credit for impoverished farmers, although it was not until 1900 that a formal legislative framework for the entire German market was established. This took the form of the German Mortgage Bank Act, which aimed at improving the efficiency of the country's capital markets and providing the maximum protection for investors. This law, counted with the sound management of

Year-end 1994

Residential property

Commercial real estate

Federal, state, municipal governments

Germany's banking sector, has certainly been effective; since its passage, no German Pfandbrief issue has ever defaulted,

Germany's first pure mortgage bank was Frankfurter Hypothekenbank, which was founded in 1862. Two years later, Bayerische Hypothekon- und Wechsel-Bank, originally established in 1835, was also granted the right to issue mortgage honds. Today, these two institutions remain in the forefront of a group of nearly 50 German banks which are privileged by law to issue Pfandbriefe. This group can in turn be subdivided into two categories of issuers. One is the group of private mortgage banks - which are governed by the Mortgage Bank Act of 1900. The other is made up of public-sector institutions - Landesbanks and special purpose put-

lie-sector banks, which are governed by the Public-Sector Pfaudbrief Act.

#### **Mortgage Pfandbriefe**

While they appear very similar to investors, and while they trade on identical yields, German Pfandbriefe differ in terms of the collateral which support them, Mortgage Pfaulbriefe are fixed income bonds fully collateralised by a separate pool of first mortgages on residential and commercial property. Quite distinct from the US-style mortgage-backed seearity, which uses an individual mortgage as its collateral, a number of very important safety mechanisms are built into the structure of the collateral backing moregage Pfandbriefe. Continued on next page

PEX Index launched in Germany

### **Boosting liquidity** and transparency in the Pfandbrief market

As a result of the growing requirement to generate more interest and participation from overseas investors, a wide range of initiatives have already been taken or are now in the papeline - aimed at improving the efficiency of the German Plandbrief market, bulstering liquidit, and hence boosting international involvement in the market.

One of the most important of these has been the recent launch of benchmarks for the Pfandbriof market: the Price Index PEX, and the Performance Index PEXP The PEX, which is the first of its kind, was created by the Association of German Mortgage Banks and the Association of Public Sector Banks in co-operation with the Swiss Institute of Banking and Finance of the University of St. Gallen, Switzerland, and Bloomberg. The index, which together with the DAX share index and the REX government bond index forms a family of indices, performs a number of important functions. The most obvious of these is that it allows investors to measure the performance of Pfandbriefe in comparison to other fixed income instruments tracked by a range of indices. Longer term, however, the creation of the PEX lays the groundwork for the eventual launch of a Pfandbrief future - which is viewed by many potential international investors as a sine qua non for the market's development, as it would allow them to he ige their Pfandbrief positions. The base date for the PEX index is December 30, 1987, is calculated daily, and can be accessed through Phomberg ter-



minals via the code PEX «GO». Moreover, Deutsine Borse AG provides distribution of the index via its system Tielier Plant Frankfort (TPF).

Another important measure aimed at Judstering transparency in the Pfandbrief market, and hence improving its liquidity. is the planned launch - probably towards. the etal of this year - of a new electronic bond trailing system for German tap issuers. Most of these issues have hithertobeen traded exclusively via the telephone. This "Remon-Offerton-System"

(ROS) is being developed by Deutsche Borse AG and is modelled on Germany's existing and highly successful nationwide computerised trading system, IBIS (Integriertes Börsenhandels- und Informations-System). Ultimately, the ROS technology will allow market participants in financial centres around the world to submit bid and offer prices in primary and secondary trading and to trade at the touch of a button on a monitor screen around the clock. A similar system will be offered soon by Bloomberg, which will also help increase transparency.

Mortgage Banks Total Germany Market Share DM billion DM billion ISSUING 2,963.9 715.8 Domestic bonds outstanding Domestic bank bonds outstanding 1,731.7 715.8 1,103.7 653.2 Pfandbriefe outstanding LENDING

1,201.5

293.4

625.8

Germany's Mortgage Banks in Perspective

### A core holding for German investors

Tt is not difficult to identify why Ger-I man retail and institutional investors have always felt comfortable with a substantial exposure to Plandbriefe as a core segment of any domestic fixed income portfolio. First, they have been attracted by the obvious quality of the instrument, mindful of the fact that no investor has ever failed to receive full payment of interest and principal on a Pfandbrief beld to maturity.

Second, domestic investors- who have historically favoured the fixed income market over equities - are attracted by the yield pick-up offered by Plandbriefe. The normal yield spread between Plandbriefe and bands (German government bonds) has typically been in the range of between 25 and 40 basis points, although recent volatility in European bond markets has meant that nimble investors have been able to secure even higher pick-ups. At the beginning of 1914, for example, the spread on 10 year Plandbriefe widened to 60 basis points, fulling again to below 30 basis points by the middle of the year.

Third, German investors in the Plandbrief market, especially retail investors. have historically been buy-and-hold inves-

tors. The safety of the Pfandbrief, coupled with the fact that they are issued by banks that in Germany are household names, has enabled investors to generate healthy and calculable long term income from exposure to the market, ruther than short term capital gains through active trading in them.

260.7

144.8

250.1

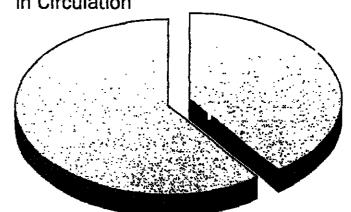
Dr Walter Dieck, Chairman of the Marketing Committee of the Association of German Mortgage Banks, neatly summarises the attractions for German investors: "From a Gorman perspective," he explains, "the purchase of a Plandbrief represents the purchase of an instrument with a reliable income (Rente). Fixed interest is paid throughout the lifetime of the bond and full repayment of principal at maturity follows with absolute safety. Domestic investors are less interested in potential price fluctuations during the life of the Pfandbriefe, as these do not influence the guaranteed income. In sum, the Pfandbrief is more an income paper, rather than a performance paper, which makes it the most important component of any fixed income portfolia

managed by German life insurance companies and pension famils." Dr Dieck adds that "it is the German Pfandbrief that makes Germany's 'long term' culture possible. Long term bans at fixed interest rates are possible only through Pfand-

Fourth, because of their outstanding quality, the Pfandbrief enjoys a special position in the German regulatory framework for institutional investors. For example, as part of the portfolio of German banks and securities companies. Pfundbriefe are privileged in terms of equity requirements. They are preferred as assets. for insurance companies' reserves and can be used in the bundled assets of insurance companies in Germany. As well, increased naximum limits for securities from the same debtor apply to the special funds of German investment companies. Their eligibility as collateral for Deutsche Bundesbank money market reportransactions and their eligibility as trustee securities (mundelsicher) an further examples of the Plandbrief's privileged status in the

#### The German Bond Market **Domestic Issuers** Year-end 1994

Market Share of Pfandbriefe in Circulation



DM 3.0 TRILLION

### A rewarding instrument for international investors

Ta spite of the obvious attractions of the German Plandbrief, foreign investors have lutherto never been substantial players in the market. Available figures are purely anecdotal, but it is estimated that although the trend is rising, foreign investors account for ownership of no more than about 15 % of the total market. compared with a share of over 50% in the

There appear to be two reasons why international investors have traditionally been much less important participants in the Plandbrief market than in German bund trading. The first - which is rapidly Josing credibility - is due to a fundamental misunderstanding of the instrument. Historically, international investors may have tended to assume that the Pfandbrief is a German equivalent of the US-style high risk asset backed security, which it is not. Asset backed securities in the US are collateralised by individual mortgages. sets of mortgages, credit card receivables and so forth. In Germany, the collateral of all outstanding mortgage and public Pfandbriefe of any mortgage bank must be kept in two separate pools. As research published by Frankfurter Hypothekenbank clarifies, this means that Tthere is no link between any individual collateral in the pool and any particular Pfandbrief issue, thus ensuring a high degree of risk diversification."

#### **Concerns about liquidity**

With most main international institutional investors now convinced about the quality of the Pfandbrief, the only reserconcerns the liquidity of the instrument. International institutions with a requirement to be able to liquidate entire port-

folios within seven days remain concerned that the Pfandbrief market fails to offer sufficient liquidity to meet this prerequisite, although the Association of German Mortgage Banks repeatedly insists that the most active issuers of Pfandbriefe do fulfil the preconditions for good liquidity.

At one of Germany's large Pfandbrief issuing banks, the Frankfurt-based Rheinische Hypothekenbank (Rheinhyp), Board Member Dr Karsten von Köller is vocal in his rejection of the illiquidity charge. "It's a mistake to say that the market is illiquid." he insists. "It depends entirely on what sort of investor you are. The market is certainly not illiquid for investors dealing in chunks of DM 5 or DM 10 or DM 20 million. The problem may start with DM 50 million or more, but even with chunks of this size the larger banks will always buy back blocks of Pfandbriefe." So would an investor he able to liquidate a portfolio of Pfandbriefe worth, say, DM 150 million over a seven day period at a good price? "Yes, definitely." Dr von Koller asserts, "maybe not in one telephone call, but over a seven day period, certainly."

formly high credit standing, Pfandbriefe are actively traded in the over the counter (OTC) market by a wide range of banks and securities houses, including a growing number of foreign institutions. Trading in Pfandbriefe is conducted on a yield basis, with a bid/ask spread of between two and three basis points on standard lots of DM 10 million. The larger issuers in the domestic market are committed to maintaining an active secondary martors report that they have experienced few if any problems with selling Pfandbriefe as and when they need.

Standardised instruments of a uni-

#### Growing international

to which international investment banks have been devoting increased resources to analysing the Pfandbrief market, and to educating their institutional clients about the benefits of exposure to the instrument. In 1994, for example, Banque Paribas released an important report analysing what is described as German "domestic products for international inves-

**Growing international awareness** 

### Prospects good for increased foreign participation

There are a number of reasons why it is hoped and believed that foreign investors will increase their exposure to the Pfandbrief market over the coming five years. The first of these is that there appears to be a growing acknowledgement among the international financial community that Pfandbriefe can offer a much more rewarding return on a German bond portfolio than other fixed income instruments.

A by-product of this is that the international financial community is increasingly focusing its sights on the Pfandbrief market. The most obvious example of this increased interest has come from international rating agencies. In June 1994, for example, Moody's published a review of the Pfandbrief market which was broadly positive, concluding that "the German Pfundbrief system is intrinsically strong and provides markets with mostly high investment grade securities." More recently, the London-based European credit rating agency, IBCA, issued a statement noting that Pfandbriefe are "inherently low risk investments." The report also recognised, however, that international investors have yet to benefit extensively from the opportunities offered by the Pfandbrief, adding that the bonds are "a well established and important part of the German domestic capital market and yet are not generally well understood by international investors."

While the debt of some German more. gage banks is rated, individual Pfandbrief issues are not. Rheinhyp's Dr von Köller helieves this will change: "I'm convinced that over time German mortgage banks will secure ratings for their Pfandbriefe." he says, "simply because international investors are accustomed to the rating mechanism. They don't want to have to read two pages of detailed credit analysis. So we will have to adjust and to do what's necessary to attract international in-

#### research

Equally encouraging has been the extent

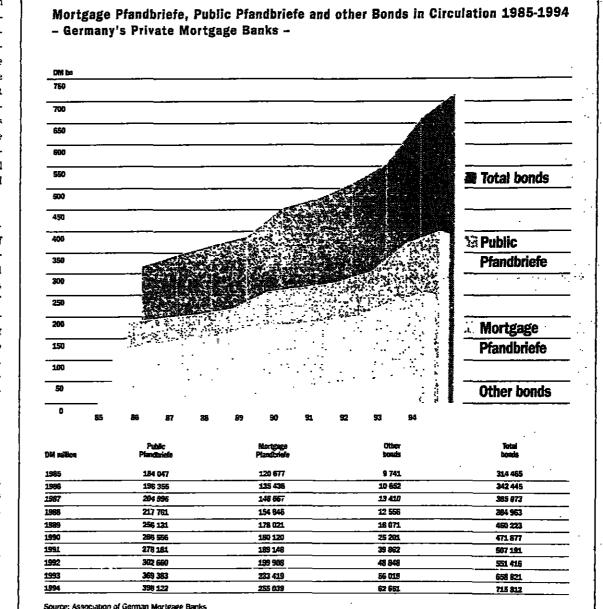
tors." Like Moody's, Paribas in its report underlined the security of the Pfand-

Although there is an abundance of fundamental reasons which suggest that the international investment community ought to increase its exposure to the Pfandbrief market, the Association of German Mortgage Banks is taking nothing for granted, and its members are working hard to enhance the international visibility of the instrument

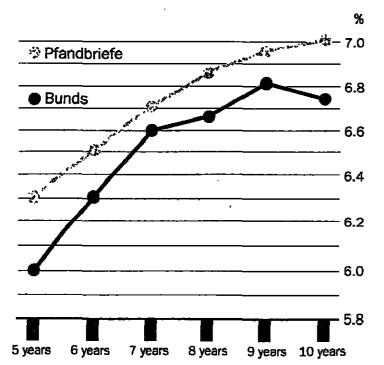
Additionally, however, Pfandbrief issuers have become increasingly conscious of the anomalous patterns of international involvement in the German bond market, which is heavily skewed towards the bund sector. In a financial community which is now clearly a global village, it is no longer acceptable that overseas investors should overlook the largest individual sector within the German fixed income market.

More important still, over the longer term, is that Germany's mortgage banks recognise that if they are to continue to expand their lending business they will need to focus increasingly on other Continental European markets. Herbert Otten, a Member of the Board of Management at the Hamburg-based Deutsche Genossenschafts-Hypothekenbank, explains: "His-

torically the German mortgage banks have been very strong in Germany, but they now want to extend their business across Europe. The Pfandbrief is not a very well known instrument in Continental Europe, and if the German banks want to finance real estate in France, for example, they will need to raise long term money in France at low cost. The most efficient way to do that is through the Plandbrief market." Otten adds that in recognition of this, several of Germany's mortgage banks are now looking to secure internationally accepted credit ratings from the leading international rating agencies, such as Standard and Poor's and



### **Yield Curve Comparison**



Source, F.A.Z., June 1, 1993

#### Continued from previous page

The first of these is that mortgages eligible as pool collateral must not exceed  $60\,\%$  of an individual property's value. The second is that properties eligible for inclusion within the pool must be conservatively valued, which means that valuation must be assessed primarily on the real value and the income that a property will be able to yield on a sustained basis. Prospective capital and rental appreciation of a property is not taken into account, so that historically the assessed value of the collateral backing mortgage Pfandbriefe has typically been between 10 % and 15 %. below a property's actual market value. Another safety mechanism behind the mortgage Pfandbrief has nothing to do with legislation, but arises from the unusual structure of the German real estate market relative to most of its European counterparts. As Dr Helmut Scholz, President of the Association of German Mortgage Banks, points out, the commercial property market in Germany benefits from natural diversification.

The commercial real estate markets in the UK and France, Dr Scholz explains, gravitate mainly around the individual financial and business centres of London

and Paris, Germany's federal system, by contrast, means that there are a number of different centres of gravity in the commercial property market - among them, Frankfurt, Düsseldorf, Berlin, Hamburg, Munich, and, more recently, Dresden and Leipzig. If the commercial property market in Paris or London were to turn sour, it would cast a shadow over the entire French or UK market; but if upheavals were to arise in, say, the Berlin or Munich market, this would not automatically mean a collapse for the real estate sector. in Frankfurt or Düsseldorf, Dr Scholz

#### **Public Pfandbriefe**

The other category of Pfandbriefe is the public Pfandbrief, which are fixed income bonds fully collateralised by a separate pool of loans to the public sector, or guaranteed by the public sector. The quality of this collateral is based on the high credit standing enjoyed by the German federal, state and municipal governments.

Although there are therefore technical differences between the collateral supporting each type of Pfandbrief, mortgage and public Plandbrief issues have tended to be viewed by investors as offering identical quality, and both have therefore historically traded on identical yields.

Aside from the safety mechanisms which are built into the collateral that backs Pfandbrief issues, including the involvement of a state-designated trustee. there is an additional range of measures designed to maximise investor protection. In addition to general solvency ratios the mortgage banks must observe special limits on the liabilities side.

#### The largest component of the German bond market

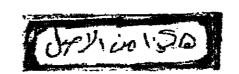
The historical importance of the Pfandbrief - both to investors and to the issuing banks - has meant that within Germany, the market accounts for the largest component of the fixed income market. At the end of December 1994, the entire German domestic bond market was worth DM 2.964 trillion. Of this total, Pfandbriefe accounted for DM 1.104 trillion, or 37 % of the

Boosted by demand for new housing following German unification, the primary Pfandbrief market has been especially active over the course of the last five years: between 1990 and the end of 1994. the total outstanding in the mortgage Pfandbrief market rose from DM 232 billion to DM 322 billion, while in the public Pfandbrief sector over the same period the total increased from DM 490 billion to DM 782 billion

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Pfandbriefe are standardised instruments, issued both in bearer form (which account for about 75 % of the market) and registered form. Usually listed on Germany's stock exchanges, the size of Pfandbrief issues ranges from hetween DM 10 million and DM 1 billion, although a typical issuance size is between DM 50 million and DM 300 million. Maturities are generally of three, five and ten years, and interest is paid annually (on fixed income bonds) and quarterly or semi-annually on the less common floating rate issues. Domestic trades are settled within two days through Deutscher Kassenverein, while international settlement takes seven days and is through Euroclear and



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#### THE GERMAN PFANDBRIEF

Harmonisation of Pfandbriefe

# A stabilising force for Europe's financial markets



De Distas Patient

A lithough in absolute terms the German Plandbrief market is the biggest of its type in Europe, the original concept of the mortgage bank structure was not made in Germany, but in France. The first issue of a private sector mortgage bond bearing the same hall-nearks as today's German Plandbrief was placed by Credit Foncier de France in 1852, following which a number of mortgage

banks were established across Germany, modelled largely on the French bank,

But while France and Germany were Europe's breeding ground for the mortgage bank structure, today's market for mortgage bonds on the Continent are by no means limited to these two countries. At the end of 1992 there were a total of 155 mortgage hanks operating in Europe. By the same date, these banks had outstand ing mortgage and communal bonds in circulation worth some ECU 764 billion. Germany accounted for the lion's share of this total, with bonds in circulation amounting to ECU 455.5 billion 657% of the totali, Other important markets were Denmark, which is the largest of Europe's mortgage hand markets in proportion to GNP, and accounted for ECU 105.6 billion (13.8 %), Sweden (12.22 %), Italy (6.75 %), France (3.86 %) and Switzerland (2.50). Much more recently a handful of countries in e-ntral and eastern Europe have started to develop a regulatory framework to encourage the development of the system, with the Czech Republic loading the way. Conspicuous by its absence in

the inventory of European countries issuing mortgage bonds is the UK.

#### Focus on pan-European market

While there is a well-developed market for mortgage bonds across almost all of Europe, a pan-European market has yet to take shape, in spite of the best efforts of the Associaton of German Mortgage Banks to promote and assist in its growth. One of the foremost champions of the concept of a pan-European market for Pfandbriefe, mortgage bonds or whatever other name EU members wish to give them, is Dr Dieter Bellinger, Managing Director of the Association of German Mortgage Banks, Dr Bellinger, who is also a member of the European Mortgage Bond Committee explains: "The Pfandbrief system is well known throughout Europe, and the fundamental principles are the same in most markets, although the exact rules and regulations differ."

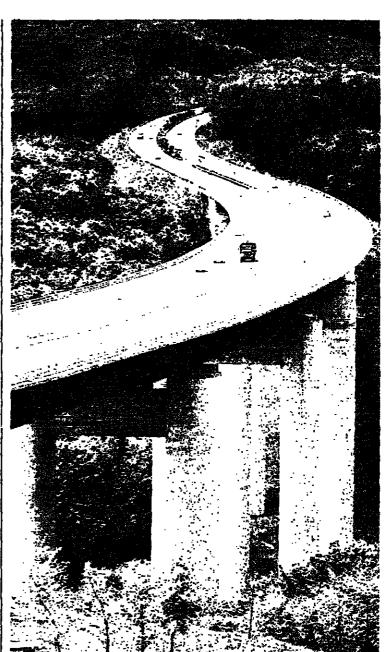
The European Mortgage Federation has discussed the possibility of larmonisation of those rules and regulations with officialdom in Brussels since 1979, Originally, he recalls, European Community (EC) authorities had viewed the proposals with favour, before ultimately deciding instead to settle for the principle of mutual recognition. But harmonisation of the mortgage bond market must eventually come. Dr Bollinger insists. "There has to be a harmonisation of mortgage bond regulations," he says, "We've seen harmonisation of solvency regulations, large exposure regulations and so on. In line with the Maastricht Treaty we will see harmonisation of currencies, and although 1997 is looking unlikely I believe

that by 19:0 we will see a common European currency. When that happens, investors in Plandbriefe will no longer be focusing on the currency implications. Instead, they will be looking at the security behind the bond. And the security will have to be the same, whether it be in Germany, Prance or Denmark."

### Stability from fixed-interest investments

Dr Bellinger is convinced that the adoption of a standard pan-European framework for a mortgage bond market would act as a stabilising influence for financial markets across the Continent. While a Europe-wide regulatory framework need not, he says, conform minutely with the trial and tested Pfandbrief system, he believes that a mechanism which is constructed around fixed-rate long term investments - familiar in markets such as Germany, Austria and Switzerland - is more conductive to stability in currency markets, inflation and interest rates than the UK system in which variable rates predominate.

He points to two pieces of evidence to support the theory. First, he says, "while every country sees ups and downs in property values, the amplitude of that volatility in the commercial sector is much higher in France and the UK than it is in Germany." Second, he points out that the very existence in the UK of two sets of monthly inflationary figures is in itself indicative of some form of shortcompaging the structure of the market for property finance: "It's always been a curious thing to me that in the UK there is an inflation figure including mortgages and one excluding mortgages."



# Advantages for investors

Holders of Pfandbriefe benefit from a number of essential advantages that make these bonds an outstanding investment for a modern portfolio.

Safety

Thanks to especially stringent requirements stipulated by Germany's Mortgage Bank Act, the German Plandbrief system is unsurpassed for safety, offering security equivalent to that of German government bonds (bunds).

Yield

No German Plandbrief issue has ever defaulted and no investor has ever failed to receive 100 percent repayment on a Plandbrief held to maturity. Despite this exceptional degree of safety, yields on German Plandbriefe are usually higher than on bunds.

Liquidity

Although most investors hold German Plandbriefe to maturity, the bonds are quoted on German stock exchanges, and German mortgage banks actively maintain a well functioning secondary market in them. In addition, Plandbriefe are accepted by the Bundesbank as a basis for Lombard credit.

Flexibility

Because German Plandbriele are

issued in line with current financing

needs, there is a vast range of issues and maturities available, usually between one and ten years but sometimes up to 25 years.

A standardised product Unlike US-style mortgage-barked se-

curities, the German Pfandbrief is a standardised product. In fact, the name "Pfandbrief" is legally protected and may not be applied in Germany to any other security.

An accessible product

German Plandbriefe are readily available in Germany. And with accelerating liberalisation and harmonisation of the EU's capital markets, foreign investors face fewer obstacles to acquiring this quality DM-denominated paper in their home market.

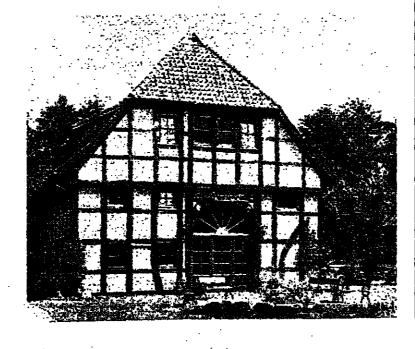
A time-tested system

A time-tested system

The Pfantibrief idea in Germany dates back over 225 years to the time of Frederick the Great. The use of Pfantibriefe and the legal framework surrounding them have stood the test of time, offering investors a fixed interest DM instrument of choice and quality.

Easy to buy

Plandbriefe can be purchased at any mortgage bank or commercial bank in Germany, or their correspondents abroad.



### The German Pfandbrief Glossary of terms

Many terms used in any description of the German Pfandbrief system have no precise English translation. This is a selection of the most widely used of these:

Bund

The German bund is the abbreviated term describing Government Bundesanleihen, which have traditionally been the main long term borrowing vehicle of the German Federal Government. Most issues have a maturity of 10 years although a market for 30 year government bonds has recently been established. As bunds are considered by foreigners the lowest-risk fixed income security with the highest liquidity available in the German capital market, all other German bond issues tend to trade at a spread discount to bunds. In the case of Pfandbriefe this spread has tended to be in the order of between 20 and 30 basis points, although it has recently risen as high as 60 basis points.

Bundesaufsichtsamt für das Kreditwesen – BAKred

Germany's Federal Banking Supervisory Authority. The mortgage banks are subject not only to the general supervision of the BAKred but also to its special supervision in line with the stringent provisions of the Mortgage

special supervision in line with the stringent provisions of the Mortgage Bank Act. The Pfandbrief's safety and the highest standards of collateral quality have top priority.

Hypothekenbanken

Governed by the Mortgage Bank Act of 1900, German private mortgage banks are specialists in property finance and public-sector lending. They are the only German banks in the private sector authorised to issue Piandbriefe, which is a major segment of the capital market. Many mortgage banks are members of large German banking groups. Three "mixed" banks - Bayerische Vereinsbank, Bayerische Hypothekenund Wechsel-Bank and Norddeutsche Hypotheken- und Wechselbank - are allowed to conduct both universal and mortgage banking, as each of these was founded prior to the creation of the Mortgage Bank Act.

Hypothekenbankgesetz (HBG)

Germany's oldest banking legislation, the Mortgage Bank Act. Although it has been amended several times over the last century, the fundamental principles of the law, aimed at investor protection, still stand today.

Hypothekenpfandbriefe

Bonds fully collateralised by residential and commercial mortgages granted by the issuing bank. As of the end of December 1994, the total mortgage Pfandbriefe outstanding was DM 322 billion.

Kommunalobligationen

Literally "Communal bonds". An alternative term for Öffentliche (Public) Pfandbriefe.

Landesbanken

Central banks of the savings banks sector organised as public institutions. As a rule, they are owned by regional savings banks associations and the federal states. There are 12 of these, and

they are authorised to issue Öffentliche (Public) Pfandbriefe.

Öffentliche Pfandbriefe

Bonds covered by public-sector loans. As of the end of December 1994 the total of Öffentliche (Public) Pfandbriefe outstanding was DM 782 billion.

PEX

The acronym given to the index recently launched tracking the performance of German Pfandbriefe.

Pfandbrief

There is no direct translation for the word Pfandbrief in English. The Pfandbrief (of which the plural is Pfandbriefe) is a special instrument created to fund residential and commercial property as well as public-sector loans. Pfandbriefe are fully collateralised and come in two varieties — Hypotheken (Mortgage) Pfandbriefe and Öffentliche (Public) Pfandbriefe.

ROS

The acronym for the planned "Renten-Offerten-System", the new bond electronic trading system planned for late 1995 in Germany.

Treuhänder

Trustee. The Mortgage Bank Act requires the supervisory authority to appoint a trustee whose task is to ensure that the statutory cover is maintained at all times.

Verband

deutscher Hypothekenbanken

The Bonn-based Association of German Mortgage Banks.

**ADVERTISEMENT** 

### "Perhaps one day we'll have a common European Pfandbrief market."

Interview with Dr Helmut Scholz, President, Association of German Mortgage Banks

Can you explain why the Association of German Mortgage Banks would like to see more active participation in the Plandbrief market by foreign investors?

I think there are two answers to your question. Firstly, of course we are looking forward to European Monetary Union and increased harmonisation within the European capital market. It is true that up to now we've had no problems at all selling our bonds in the German capital market. German investors have traditionally been very familiar with the Pfandbrief. But we recognise that we have to go international one day. Not necessarily tomorrow, but in the foreseeable future. So we want international investors to be more active participants and to have a better knowledge of the German Pfandbrief.

On the other hand, international investors have been indeed active in the German capital market for the last 10-15 years, and over that time they have looked more and more closely at German bonds. But they have looked mainly at the German government bond - the bund. Why? Because it is well known internationally and there is no doubt as to its quality. But - and this is the second part of the answer to your question - the preference of international investors for the bund has led to a hitherto unknown spread between hunds and Pfandbriefe which in our view is not justified on the basis of quality. Although the collateral and the legal framework surrounding Plandbriefe are equal in quality to the bund, this does not appear to be so in the eyes of international investors. So the fact that there is a spread of 10 and sometimes up to 50 basis points has meant that it has become more expensive for us to refinance our lending activities. So we are trying to make the Pfandbrief a well known instrument Europe-wide, and to convince international investors that while the quality is legally not exactly the same as the bund, it is equal.

Are you satisfied that foreign investors fully understand the structure of the German Pfandbrief market and the nature of the collateral which backs the instru-

Not yet. We recognise that we have to do more international presentations in the main European financial centres, and we are very keen to inform international investors about the quality inherent in the Pfundbrief system. The Pfundbrief is not simply a bond, it is an integral part of a system for financing long term investment, not just in real estate but throughout all areas of the public sector. So there are two sides to the issue. Long term lending and exactly matching funds in the capital market. On the one hand, there are investors who need high quality paper, and on the other there are borrowers who need a safe and secure long term financing instrument. We have to look at both sides of this equation. We are certainly encouraged that more and more interest is being shown by the rating agencies, of course. Moody's, for example, and the IBCA in London have both published very positive reports on the structure of the Pfandbrief market. But overall I am not yet satisfied about the level of knowledge internationally, and this is what we are working so hard to improve.

What attractions are offered by the German Pfandbrief market which are not available in other instruments?

If you look at absolute levels of quality and safety, then of course the bund has to be number one because Germany is not going to go bankrupt. But the Pfandbrief



must certainly rank as number two, bestrategy of international investors at the cause it is a fully collateralised bond and is moment, by which I mean that their emof a much higher quality than any other phasis is on performance over the short bond issued by any private sector instituterm. International investors tend to be tion. It offers a higher yield over bunds because of the preference on the part of international investors for the bund. But it also offers unrivalled security because of the collateral and - unlike mortgagebacked securities - the full liability of the issuing institution. Moreover, Pfandbriefe are accepted as collateral for the

in the context of the German economy as a whole? To what extent does it play a role in stabilising the economy?

Lombard rate. Even a triple-A rated bank

bond will not offer the same level of qual-

ity as the Pfandbrief.

It plays a very important role, indeed, for two reasons. On the capital market the mortgage and public Pfandbriefe account for nearly 40% of the entire domestic bond market, so stability in the Pfandbrief market obviously supports stability in the capital market as a whole.

Second, as a long term financing instrument for investment in real estate and in public authority projects it has an equally stabilising influence. About 80% of all loans granted to public authorities in Germany are accounted for by Pfandbriefe. and only 20% through other means. On the other hand, between 20% and 25% of all residential real estate financing is through fixed interest Pfandbrief issues. More important is the commercial property sector where two thirds of all financing is through the Plandbrief mechanism. This means that as an instrument for long term fixed rate financing. the Pfandbrief is one of the most important vehicles in Germany, which explains the role it plays in stabilising markets. If you have long term fixed interest finance over five to ten years supporting key investments within an economy it must suggest a stabilisation of the economy as

As Bundesbank President Mr. Tietmeyer recently pointed out, long term orientation is very important for the security of investments. Because of the stability which is built into the system it is less likely that there will be bubbles in the German property market and in the German financial market as a whole than in other markets. So the Pfandbrief is an important agent in reducing volatility across the whole spectrum of the financial and property markets.

If that is the case, do you believe that the Pfandbrief structure will play an increasingly important role in other Continental

buy-and-sell investors. In Germany, the strategy of institutional investors has traditionally been constructed around a buyand-hold mentality. German insurance companies, in other words, are interested in the long term. They buy bonds and hold them to maturity, which in the case of Pfandbriefe is usually 10 years.

Today, largely because of the competitive influence of international institutions, I think that German institutions may change their strategy and start to adopt an international approach. Rather than act as buy-and-hold investors they may begin to trade more actively. That would mean more volatility in the market.

What we would like to see - and what we hope to see - would in the end be a mixed strategy for all investors. They would not necessarily be investors who bought and held to maturity, but nor would they be very short term oriented investors. That would ultimately bring much more stability to all European markets. For Germany it would probably mean a slight

increase in volatility, but for Europe as a whole it would bring increased stability.

Do you think there will ever be a European Pfandbrief market?

Remember that the Pfandbrief system is not just restricted to Germany. It is well known in a wide range of European markets - in Austria, in Denmark, in Sweden and Switzerland, for example. It may become increasingly important in markets like Spain and Portugal. My hope is that every country in Europe will be able to harmonise the framework of their individual Pfandbrief systems to bring the market to life at a pan-European level, which of course would bring more stability to Europe's capital market.

In Germany, the Association of Mortgage Banks is doing its best to increase international awareness of the Pfandbrief system. Of course our priority is to promote the German Pfandbrief, but if we can do this successfully it will also inevitably boost interest in all European Pfandbrief systems. So perhaps one day we'll have a common European Pfandbrief market.

Of course this will go hand in hand with the increasing harmonisation of European real estate financing systems, which differ considerably from market to market. The system in the UK is very different from the system in Germany. We obviously do not intend to promote the German system as the best of all. There may be strong advantages in the French or the Danish system. What we're saying is that there has to be some degree of harmonisation, perhaps through a combination of the strongest elements of a number of different European systems.

But at the same time, we are justifiably proud of the fact that the German system

has been effective for more than two centuries, and we firmly believe that the stability in recent times of the German currency is due to a certain extent to the stability of the German capital market, in which the Pfandbrief plays a central

international investors often complain that while the quality of the Pfandorlef is beyond question, there is insufficient transparency and liquidity in the market. What steps are being taken to improve this and hence to encourage the participation of more international investors?

A very important first step - and we must emphasize that it is only a first step was the creation of the Pfandbrief price index, the PEX and the Pfandbrief performance index PEXP. Another important development is the launch of the ROS electronic trading system which will provide up to date information on market participants' screens. This is a very necessary step forward, because transparency is important not just for international investors but more and more for German investors as well. Both these initiatives lay the ground-work for future improvements, such as the introduction of a Pfandbrief future. So I am very confident that over the longer term we will see much more transparency in the Pfandbrief market, which will certainly encourage more active participation on the part of international investors.

At the same time, we are intensively discussing new ways of enhancing liquidity in the Pfandbrief market. Solutions could be not only larger issues but also bundling and standardisation of a number of issues by different issuers. I am sure we will come up with solutions that will meet the requirements of future international mar-

### Germany's Mortgage Banks

DEPFA-BANK, WIESBADEN

As I see it, a problem arises from the

- BAYERISCHE VEREINSBANK AG, MÜNCHEN
- HYPO-BANK, MÜNCHEN
- **DEUTSCHE HYPOTHEKENBANK** FRANKFURT AG, FRANKFURT
- RHEINHYP, FRANKFURT
- DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
- FRANKFURTER HYPOTHEKEN-BANK AG, FRANKFURT
- DEUTSCHE CENTRAL-BODENKREDIT-AG, KÖLN
- BAYERISCHE HANDELSBANK AG, MÜNCHEN
- WESTHYP, DORTMUND
- BERLIN HYP, BERLIN
- SÜDDEUTSCHE BODEN-CREDITBANK AG, MÜNCHEN
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For further information about German Pfandbriefe, please contact The Association of German Mortgage Banks (VDH) in Bonn, Fax (228) 9590244.

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problems, and its 1980 <u>हित</u>्तरहाँके तक to dividend street Ominous pressure appears on consumer prices 

Stores face strong squeeze on margins

### May up 9.4% year-on-year

five months rose by 12.9 per cent to 684,764, reinforcing

expectations that output levels

est for years. Exports surged by almost 44 per cent to 351,130 in spite of the static trend in

car sales in much of western

Output of commercial vehicles rose substantially last month. Production for the UK

rose 22.5 per cent to 21,505

while export output increased

by 22.6 per cent to 8,945,

according to provisional fig-ures from the government's

cars and commercial vehicles is continuing apace," said Mr Ernie Thompson, thief execu-

tive of the Society of Motor

Manufacturers and Traders.

"The strong performance of

overseas production reflects

the inroads car manufacturers

In Britain are now making into

Total commercial vehicle

production in the first five

months of the year climbed almost 12 per cent to 106,549,

with output for the home mar-

world markets."

"The upward trend for both

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UK car output reached its in 1995 will be among the high-highest May level for 17 years est for years. Exports surged by almost 44 per cent to 351,130 cars and trucks continued to rise strongly on the back of additional capacity and strong

Total car production rose 9.4 per cent to 140,642 compared with May last year. Output for export soared by 17.8 per cent to 63,102, helped by sterling's weakness against many other European currencles and the growing contribution of UK factories owned by Japanese car manufacturers.

However, analysts warned that the surge in export sales appeared to be slowing - a trend that may cast doubt on the chances of last year's remarkably strong growth in overall exports being repeated. Between September 1994 and April 1995, production for export exceeded domestic out-

put for the first time since records began in 1977. Last month, however, the pattern was reversed, fuelling debate about the relative rates of economic recovery in the UK and

### Car output in Doubts on inflation target grow

Retail price inflation edged up last month, fuelling doubts in the City of Loudon about the ability of Mr Kenneth Clarke, chancellor of the exchequer, to

achieve his inflation target.
The government's Central
Statistical Office said
yesterday that underlying
inflation - which excludes interest payments on mortgages for bousing - rose to a seasonally adjusted 2.7 per cent in May from 2.6 per cent in April. Headline inflation, which includes all items, rose from 3.3 per cent to 3.4 per

Although this level is low by historical standards, it is the fifth consecutive month in which price growth has been outside the government's target of bringing underlying

150

inflation below 2.5 per cent by the end of the current parlia-

Mr Clarke said on Wednesday that be would extend this 2.5 per cent target beyond that time - albeit with a secondary upper limit of 4 per cent if unexpected price shocks occurred. His announcement was

viewed with some scepticism in the City, amid fears that he might use the broader target to avoid politically unpopular base rate rises. Mr Clarke repeated that he remained committed to the 2.5 per cent However, yesterday's figures

showed that manufacturing price pressures are increasingly feeding through to shops. Non-seasonal food prices showed the largest monthly rise in May for 13 years - a hint that last year's supermarket price wars may be easing. higher than in April, it was a mere 1.1 per cent higher than showed their sharpest monthly rise for four years.

Although leisure goods prices fell, they rose in most other sectors. Consequently, "core" price inflation, which excludes tax and housing costs, rose to 22 per cent in May - its highest level for 18 months.

Mr Adam Cole, UK economist at brokers James Capel, said: "Retailers are now less prepared to slash prices to gain volume. This is a very worry-ing development - inflation pressures further back in the supply chain are already intense and the chances of this spilling over into retail prices are increasing."

Consumer spending, however, remains relatively muted. sales in May was 0.2 per cent

the same period a year before. Mr Michael Saunder, economist at Salomon Brothers, said: "We had previously expected further base rate hikes in the coming month to push infla-tion back below 2.5 per cent. However, the chancellor's apparently relaxed approach to an overshoot of the target casts doubt on whether this will hap-

annual statement about the national Budget and fiscal changes for the coming year on November 28, the government announced in the House of Commons yesterday, it will be only the third Budget to be held in the autumn. There will be time for only one further November Budget before the last possible date - in 1997 for the general election.

Ctr on qtr % change

Annual % change

Soccer star Graeme Souness won £750,000 (\$1,175m) damages over a newspaper article which branded him a tight-fisted "dirty rat". It was one of the biggest libel awards by a British jury. The former Liverpool and Scotland player grinned with triumph after the High Court jury in London had given its pen."

● Mr Clarke will make his unanimous verdict following two hours of deliberation. Mr Souness's lawyer said his first wife had been used by The People newspaper in a "seedy, shoddy conspiracy" against the

UK NEWS DIGEST

In the May 1993 interview in the paper, the first Mrs Sourcess said her husband had ordered her and their children to leave their home. She also claimed that her ex-husband had refused to pay their sons' school fees, and that she was living on handouts from her parents. A lawyer for Mr Souness said it was a "classic bit of sleaze journalism" and a "100 per cent lie". He asked for "massive" damages.

PA News

soccer star when he was at a professional low. The People

belongs to Mirror Group Newspapers, which said it would

Soccer star wins

more than \$1m

in libel damages

#### Italian group wins licence

An Italian manufacturer of telecommunications equipment has been granted a UK telecoms licence following its takeover of Mercury Communications public callbox sites. Industria Politechnia Meridionale Communications will install payphones on the 1,584 sites where Mercury's distinctive winged ardphones once stood. The first of the new phones are expected to be operational in July and will take both cash and cards. Mercury decided in December to quit the public payphone business which had been making a loss. It has removed a small number of boxes to date, and the handover to IPMC is expected to save it about £1m in dismantling costs.

Alan Cane, Industrial Staff

Britons are increasing their

spending on alternative medi-

cines faster than on conven-

tional drugs, says Mintel, the

market research company.

The alternative medicines

market was worth £62.7m

(\$98.4m) in 1994 - a small fraction of the £1.3bn spent on medicines not prescribed by

#### Phone numbers to change

Mr Don Cruickshank, the director-general of telecommunications, announced a sweeping reorganisation of the telephone numbering scheme. Following the alteration of all national codes to begin 01 in April, the plan is to use the codes 02, 03, 04 and so on to define specific services. Numbers beginning 04 will identify mobile phones for example. The changes will take place over a number of years. Yesterday Mr Cruickshank published a consultative document on the use of numbers beginning 02 to relieve the pressure on fixed phone numbers numbers which typically begin 01. The pressure for numbers is a consequence of new operators and new products and services in the UK market.

Alan Cane

#### Alternative drugs on rise

Healthy growth

The consumer market for alternative cines (Cm)

doctors - but the market's sales grew by 23 per cent between 1992 and 1994. Sales growth in the non-prescription market as a whole, and in the prescription drugs market,

were each less than 20 per cent over the two years Herbal remedies dominate the market with 56 per cent of sales, but aromatherapy, with only 16 per cent of sales, is growing faster. The UK market is dominated by two companies, Potter's and Gerard House, which account for 57 per cent of total sales. The alternative therapy business has been boosted by rising prescription charges and the decreasing time doctors devote to their Daniel Green, Industrial Staff patients, says Mintel.

### Tunnel service to carry coaches

Eurotunnel's shuttle service through the Channel tunnel will carry coaches and minibuses from June 26, the company said yesterday. This completes the range of services provided by the tunnel trains, which began carrying trucks in May 1994 and cars in July. Coaches will travel in enclosed single-deck shuttle carriages. These require separate approval from the Anglo-French safety commission which oversees tunnel activities. The service will start with one departure an hour but will be increased during July.

Charles Batchelor, Transport Corresponden

Road cost doubles: A 2km road link has cost nearly £300m (\$471m) to build - more than twice the original estimate, said the National Audit Office. Construction of the Limehouse Link road tunnel from the City of London to London's Docklands has eventually been completed for £293.3m. This was 29 per cent above the post-tender estimate and 107 per cent more than the pre-tender estimate.

First woman police chief: The first woman to win the job of Chief Constable of a big regional police force said she believed she had been appointed because of her ability and not because of political correctness. Pauline Clare, who is to head the Lancashire force in north-west England, added: "I think I got the job because I was the best candidate".

University honours Speaker: Miss Betty Boothroyd, the first woman Speaker of the House of Commons, is to receive an honorary degree of Doctor of Civil Law from Oxford University this month. The artist David Hockney will be made a

#### ket rising by 15.3 per cent to 60,865 and production for export up by 7.3 per cent to

But with retail sales remaining muted, many shops seem to be engaged in a delicate cat-and-mouse game with consumers, our Economics Staff writes. It remains unclear how far consumers will tolerate price increases. Sales have risen in food shops, but the household goods sector has seen a fall in business.

Mr Jonathon Loynes, UK economist at Midland Global Markets, said: "Given the weakness of the housing market, the chance of household goods shops making their prices stick looks slim." However, rising raw much." The Central Statistical Office material and packaging costs have left many shops facing a fierce squeeze on margins. Some economists fear that retailers are now determined to raise prices in spite of weak consumer confidence.

Ms Helen Macfarlane, UK economist at Hoare Govett, said: "There appears to be a limit to the margin squeeze retailers can tolerate. Consumer demand may be subdued, but it no longer seems to be depressing the passing on of cost pressures as said yesterday the retail prices index was 149.6 in May, with 100 representing the base year of 1990. This was 3.4 per cent higher than in the previous May, and 0.4 per cent higher than

Retailers play cat-and-mouse game with customers

Retailers test the market for higher prices

Retail sales also rose, running 0.2 per cent higher in volume terms in the three months to May, compared with the previous three months. Overall spending grew 0.2 per cent between April and May, and by 1.1 per cent over the year.

But although this modest sales growth suggest that some price rises have been tolerated by consumers, the figures conceal a distinctly patchy picture. In the food sector, prices rose 1.7 per cent in May. However volumes also grew, rising 1 per cent in the three months to May compared with the previous three months. A CSO statistician suggested that this indicated that supermarkets were increasingly competing by using customer services such as loyalty points rather than cutting price.

Our on our 30 change.

have recently indicated that although competition remains intense some are being forced to put up some prices. Higher prices for materials such as paper, pulp and plastics are pushing up packaging costs, while some commodity prices are also rising.

Tesco, one of the UK's biggest food retailers, told analysts at its annual meeting last week that price inflation in its stores was running at more than 3 per cent, the highest rate for

Celebrating the millenium

### Donation may wipe out bitter pit memories

By lan Hamilton Fazey

Bitter memories linger in Yorkshire over the great, lost miners' strike of 1984-85. The Millennium Commission now has the power to wipe some of them away in the Dearne Valley between Doncaster and

Here stood the pitheads of Cadeby Main and Denaby Main. Next month the £1.5m

industry in its own right, with hundreds of new jobs. The commission administers the Millennium Fund, one of the five "good causes" intended to benefit from money spent in

demise of the pits. He puts the first in the Middle Ages, when the nearby Conisbrough Castle symbolised the importance of the area. The second was during the great age of deep coalmining. when the area's Barnsley seam was being worked between 1893 and 1986. The third would put the unusual geology of the

An array of powerful supporters includes Doncaster borough council, British Coal, the Forestry Authority, the Coun-tryside Commission, the National Rivers Authority and the Dearne Valley Partnership of public and private sector

With friends like these, the project has already persuaded Brussels to give £870,000 from its funds for softening the blow

### Russian complaints about visas

By Scheherazade Daneshkhu Leisure Industries

and arbitrary treatment in

cations, and only 2 per cent of applications were now

to visit most east European countries, Turkey and Egypt, while Cyprus recently lifted the requirement for those spending less than 90 days in the country. The number of Russians travelling abroad has increased from 2.5m in the mid 1980s to 5.5m last year, of which 2.3m are tourists. Turkey, Spain, Cyprus and Greece are among Russian tourists' favourite destinations, while Britain does not appear in the

top 10. Last year fewer than 1 per cent of holders of Russian passports, or 106,000 people, visited Britain. Most of those were students learning English. This year the British Tourist Authority hopes to attract 20 per cent more visits. The prime minister's agonies deepen

### Minister heaps scorn on anti-EU 'xenophobes'

By Kevin Brown, Political Correspondent

Mr Kenneth Clarke, the chancellor of the exchequer. yesterday dismissed rightwing critics of Mr John Major as xenophobes, raising the temperature of Westminster infighting over the prime minister's hold on his job.

As Mr Major flew to Canada for the summit in Halifax of leaders of the Group of Seven industrialised countries, Mr Clarke and other pro-European MPs launched a robust counter-attack against rightwing MPs pressing the government to rule out a single currency

forever. Mr Clarke told BBC radio that Eurosceptic Tory MPs, who gave Mr Major an almost unprecedented grilling in a confrontation on Tuesday, were risking the future of the government by diverting attention from the fight against Labour.

The chancellor said it would be "quite foolish" for Mr Major to bow to rightwing demands to rule out a European single currency "before we have even completed the discussions of how it might work".

Mr Peter Temple-Morris, a senior member of the Positive Europe group of Tory MPs, warned that pro-Europeans would not accept" any change in the government's intention to decide in the next parlia-ment whether to join a single

A Conservative MP conceded yesterday that the Labour party was likely to win the next general election. In a magazine article which called on British business to "build its contacts with Labour now" rather than wait for the party to get into government. Mr Dudley Pishburn, Conservative MP for Kensington in London, gave detailed advice to readers on how to contact influential opposition spokesmen. He also

provided flattering pen portraits of most of them Mr Alistair Darling, the party's spokesman on City of Loneducated, intelligent, undoctrinaire." Mr Geoff Hoon, a Labour whip, was seen as "just the kind of bright spark that any business would do well to bounce ideas off."

a challenge to Mr Major last year came to nothing because rightwingers failed to secure enough signatures of MPs to trigger a leadership election in the party.

Some rightwingers also called for calm. Sir Peter Tapsell (Lindsey East) said he was "extremely irritated" by Eurosceptic attacks on Mr Major, which were "entirely counterproductive to everything we are seeking to achieve". However, speculation that a

contest is now inevitable was given fresh impetus by Mr Bill Walker, a senior Scottish Con-Mr Jeremy Hanley, party servative backbencher. He told chairman, led attempts to calm BBC radio that "the likelihood servative backbencher. He told fevered backbenchers, pointing of a leadership challenge is

been". Mr Clarke also annoyed rightwingers by dismissing rightwing demands for early tax breaks to restore the miss ing "feelgood" factor. He said that "gimmickry" would not win the next general election for the Conservatives.
The chancellor also played

more real now than it has ever

down the prospects for intervention in the depressed housing market, blamed by many Conservative backbenchers for the government's low standing in the opinion polls. Most of the special mea-

sures I keep reading about seem to me not likely to have any effect on the housing market," he said. Mr Tony Newton, leader of

the Commons, also appeared to rule out a housing market package. Standing in for Mr Major at question time in the House, he told MPs that the problem of negative equity where the size of a mortgage is greater than the value of a property - had declined sharply" since 1991-92.

However, a senior cabinet minister said the government was considering making private insurance for the care of elderly parents deductible against either income tax or inheritance tax. Alternatively inheritance tax might be abol-

The intention would be to ensure that parents were able to bequeath houses to their children, damping middle class complaints that families are often forced to sell houses to pay for care no longer provided by the state health service.

### Laura Ashley chain acquires 'quite a force' from US

ness that never quite made the leap from cottage industry to international manufacturing and retailing group.

Analysts rate her chances of suc-

ceeding at Laura Ashley as evenly balanced. "She is quite a force," said one. "She's the sort of person that is needed for the job."

The quintessentially English group, which likes to think of itself as selling a "lifestyle" rather than merely flowery frocks and chinizy curtains, per-formed well in the early years after its 1985 flotation. But as with some other clothing retailers, its performance in the buoyant 1980s masked underlying problems, and its 1990s record has been dismal.

There has been no dividend since 1989, and three years of losses were

The new chief executive of Laura Ashley, Ms Ann Iverson, joins a business that never quite made the leap trom cottage industry to international awaits the top executive from Kay-Bee

before the company plunged back into a pre-tax loss of \$30.6m in 1994-95. That was after the £34m costs of a restructuring. Ms Iverson has made something of

followed by profits of £1.8m and £3m

a speciality of company turnrounds. notably in Storehouse's BHS and Mothercare chains. She knows Laura Ashley well, having been a non-execu-

tive director for a year. She says the potential is undiminished. "I am convinced that the brand has a great deal more to offer both in terms of return to shareholders, and

We are working on 2 per cent mar-

gins right now and the business clearly has the opportunity to deliver double-digit margins in four to five

Ms Iverson says one problem is that the group's last two chief executives have not had retail backgrounds. The brand has lost focus, and what she calls the "business model" is not What is needed now, she says, is

some "basic retail practices and disciplines". That means identifying the strengths of the brand, maximising the benefits of Laura Ashley's vertically integrated structure, and trying to push up the gross margin. There

Mothercare chain, where she refocused the business on mother-andbaby products and children's clothing, and developed a "fun" store concept, including talking trees and singing

The job she has been doing for the past year at Kay-Bee, a 1,200-store off-shoot of Melville, has also involved repositioning the largest mall-based toy retailer in the US.

Failure to produce results quickly at Laura Ashley could leave the group vulnerable to a takeover. Sir Bernard Ashley, co-founder, has already been approached about selling his stake, but said yesterday he had "no inten-tion of disposing of or reducing my interest in the group".

The group's difficulties stretch back

up. The present decade began with severe liquidity problems - solved by a £45m cash injection from the Japanese retail group Aeon, in return for a 15 per cent stake; the resignation of then chief executive Mr John James, and the closure of six factories and loss of 1,500 jobs.

Mr Jim Maxmin was recruited as the new chief executive charged with turning the business around. He launched the "Simplify, Focus, Act"

recovery programme. More redundancies resulted and Federal Express, the distribution group, was taken on to handle warehousing and distribution. But Mr Maxmin departed prematurely last April after disagreements over future investment levels - taking with him a £1.2m pay-off.

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(\$2.35m) first stage of the Earth Centre, a museum of the environment, will open on the Cad-The commission has to decide whether to give £50m towards a £125m plan to expand it into 350-acre international museum of the Earth, which would be a new local

the National Lottery.
"It would be the third golden age for Cadeby and Denaby," says Mr Gerry McLister, a youth worker and amateur local historian, who photo-graphed and chronicled the area - itself the source of coal What we have is a natural

magnesium limestone escarpment which has created some rare habitats for flora and fauna," says Ms Penni Maw-son, an Earth Centre executive. There are already several protected areas of special scientific interest, as well as two rivers and a canal. Expansion plans include an organic fish

The project has created interesting alliances. Its chief executive is Mr Jonathan Smales. former director of Greenpeace and famous challenger of the established order. Its president is Sir Crispin Tickell, former scion of the establishment as UK ambassador to the UN, although his green credentials include persuading Baroness Thatcher of the need to take global warming more seri-

of European coal closures.

to be met Action is being taken to meet

complaints by Russian travellers about the processing of visas for Britain, the British Tourist Authority said yester-day. It said at the launch in London of a campaign to attract more Russian visitors to Britain that there had been numerous complaints from Russian citizens about harsh

granting visas. Britain had been named as one of the worst offenders, but more staff were being recruited to process visa appli-

rejected. Russians do not need visas

are some parallels with the process Ms Iverson carried out at the British

### **MANAGEMENT**

fter spending several billion pounds in the past decade on building hundreds of gleaming new supermarkets, it must be slightly irritating to be told by customers the thing that really irks them is wonky shopping trolleys.

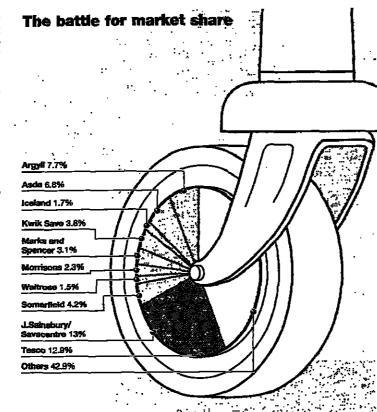
That, however, is what J Sainsbury, the UK grocery retailer, found when it commissioned a "problem detection study" among supermarket shoppers. After spending 18 months and £9m addressing the problems unearthed by that survey, and retraining managers and staff to make its stores more "warm and friendly", Sainsbury this weekend laumches an advertising campaign featuring TV personality Ulrika Jonsson trumpeting its new "customer service commitment".

City analysts interpret the move as the start of the fightback against Tesco, Sainsbury's biggest rival, which they say has had the upper hand in marketing itself during the last year. While Sainsbury is still the most profitable supermarket group (with operating profits of £784m last year from its British supermarkets against Tesco's £600m) Tesco, through initiatives such as its loyalty card scheme Clubcard and well-publicised customer service improvements, has been stealing market share. By some estimates, it has overtaken Sainsbury to become Britain's biggest grocer by sales in recent

David Sainsbury, Sainsbury's chairman, concedes that its rival has been communicating better, but says Sainsbury wanted to complete work on its service initiative before publicising it. "We wanted to get all the elements in place and make sure we could deliver our promises," he says, "We now feel able to go public." Not delivering on promises is, he adds, one of the fastest ways to lose customers.

The initiative has been paid for partly through the £50m annual savings resulting from "Genesis". Sainsbury's strategic review which led to a shake-up of central and store management and the loss of 650 jobs. Sainsbury is spending £10m in putting 2,000 more staff into stores, while the advertising budget will be upped "considerably" from last year's £16m.

The process began in 1993, when Sainsbury's regular customer research revealed that shoppers were happy with its products, but less so with its service. The resulting problem detection study produced a list of shoppers' gripes about all supermarkets. At the top was "wonky" trolleys that were difficult to steer, followed by lack of sufficient tills, long queues, product locations being changed too often, flimsy carrier bags and bags for fruit and vegetables that were impossible to open.



Neil Buckley examines J Sainsbury's efforts to regain its competitive edge

### Super service

these points specifically. Customers using "wonky" trolleys are encouraged to tell staff who will give them a replacement and transfer their shopping. The group has, like Tesco, introduced a "one in front" policy, pledging to open more checkouts if customers find more than one person waiting to be served in front of them, until all tills are open.

Customers searching for products will be shown personally by staff to the correct spot, stronger carrier bags are being tested, and after much searching, Sainsbury has found what it calls the "ultimate produce bag".

As important as dealing with the common grumbles, however, was

changing the store ethos. "[Customers] told us that our stores were a bit cold and unfriendly," says David Sainsbury. "The other message that came over loud and clear was that staff were so busy running the stores that they couldn't find time for the cus-

Anthony Rees, director of strategic marketing, says Sainsbury, knowing most shoppers regarded grocery shopping as a chore, had long concentrated on enabling them to "get in and out as quickly as possible", in the process sacrificing some elements of friendliness.

Checkout operators, for example, had been trained to scan 22 items a minute - faster than shoppers could put the items into bags, and too fast to allow staff to smile and talk to customers. The average scanning speed is being cut to 18 items a minute. Sainsbury has also spent £750,000 on new checkout seats after complaints from staff that the old

ones were uncomfortable. Both these changes emerged from 18 months of staff consultation and training. The first step was to invite store managers in February 1994 to a national conference for a "warts

and all" presentation of the customer research. The next stage was anonymous surveys among Sainsbury's 100,000 staff in its 355 supermarkets in the UK, asking for opinions on store management - whether managers

were responsive to their requests.

views and problems - and customer

The findings were presented to the top three managers in each store, who participated in "leadership through teamwork" courses. Some were given one-to-one train-ing if they had scored poorly on staff communication. The three managers then agreed "positive action plans" to be displayed in stores on how they would improve weak areas.

Further anonymous staff quesmonths later, before the entire management team - comprising 30 or 40 people in bigger stores - was taken out of each store for a four-day Teadership through teamwork

At the same time, "quality action teams" of six-to-eight store staff took part in training exercises. Together with training consultants Celemi, Sainsbury developed a workmat" - a kind of board game laid out like a store, which staff had to work their way around, discussing how to deal with various problem scenarios.

"We realised that the staff themselves were actually best placed to offer solutions to customers' prob-lems," says Wells. "Many of our regulations and procedures were actually hindering staff from serving customers in the way they wanted

Whether such improvements as extra bag packers and assistants to carry groceries to cars, baby changing rooms with free napples, and special facilities for the elderly and disabled enable Sainsbury to regain the edge over competitors depends advertising. Other groups are making similar moves - Safeway, the UK number three, has introduced a raft of customer service improvements while Asda, the number four, is trying to inject "fun" into food

shopping. Sainsbury sees the emphasis on service as another stage in the evolution of British supermarkets. After becoming among the most efficient retailers in the world, UK grocers are trying to add the customer service standards of US chains. "We have become very efficient indeed," says Anthony Rees. "Now we are aiming for 'efficiencyWhy, despite progressive reforms, are Swedish women failing to secure the top jobs? Hugh Carnegy reports

# A question of attitude

weden, perhaps more than any other country, prides itself on the high degree of equality its women have reached in society. But a detailed statistical profile published by the eovernment last month has highlighted the extent to which even Swedish women have failed to break down male dominance in management, particularly in the private sector

The study\* shows how decades of active promotion of equal opportunity has had an impact on the wider role played by women in Sweden. The long list of legislative measures goes back to the establishment of equal inheritance rights for women and men in 1845.

More recently, it encompasses the steady extension of paid encouragement for women joining the workforce. The first legislation giving the right to three months paid leave for women was enacted in 1955. This year, a ruling has come into force so that fathers must take at least one month of a couple's current combined 12-month paid leave

entitlement on the birth of a child. Combined with the simultaneous extension of near-universal child care provision, these measures have resulted in 80 per cent of Swedish women joining the workforce, one of the highest levels in the world.

Women have also made startling inroads in politics and government compared with most other countries. The general election last year brought the number of women in the Riksdag up to 40 per cent of the total, compared with a European average for national parliaments of 11 per cent.

Even the royal family has embraced equal opportunity: in 1980, the law of succession was altered to give the right of inheritance to the throne to the monarch's first born, regardless of sex. The next monarch of Sweden will therefore be Princess

Gustav.

All this makes more striking the slow progress of women in penetrating senior and even middle management levels in industry, the service sector and even public administration.

The gap is most evident in the private sector, where estimates have put the proportion of womer directors of Swedish stock market companies at four per cent, and the proportion of senior women executives in the same companies at two per cent.

In the public sector, women account for 29 per cent of managers. Yet there is a heavy preponderance of women in the public service workforce. Only one per cent of women in the public sector reach senior management positions, compared with six per cent of men.

Birgitta Hedman, head of the gender statistics unit of Statistics Šweden, says direct comparisons with other countries are difficult because of lack of information or variances in defining categories.

Given the legislative background, why have Swedish women not made greater inroads in leadership positions outside the realm of political power?

A primary reason is that women are still overwhelmingly carrying the burden of family care in employed in the country's famously large public services providing the backbone of the health care services, pre-school child care services, care of the elderly and education services. "Women in the Nordic countries are paid to do what women in

other countries do unpaid," says

Hedman. The headline figures for employment of women also disguise how Swedish women spend a far greater amount of time on their own family care than men. Of those women in the workforce, only 44 per cent are in full-time work, compared with 70 per cent of employed men.

Furthermore, figures show that women spend more than 33 hours a week on unpaid work - mostly household and child care work while men do 20 hours. That gap is even wider for couples with children under school age. Education is another factor.

Girls in Sweden focus on the humanities and social sciences and, in vocational training, favour areas such as nursing, while boys are more heavily represented in engineering and technical education.

There is also the unquantifiable issue of attitudes. "Attitude is the biggest problem today," says Vivianna Johansson, a senior executive with Vestgota, a company in central Sweden. She is involved in initiatives to promote women in managerial positions run by Ledarna, a countrywide

association of managerial staff. She says that, to date, senior male leaders in industry and business – a relatively tight-knit circle in Sweden - have been refuciant to open the door to women, and companies are reluctant to promote women who have access to such generous legal rights to maternity leave. But Johansson also acknowledges that women have, until recently, been reluctant to push for leadership positions in industry.

The person with overall responsibility for equal opportunity in Sweden is Mona Sahlin, the deputy prime minister. She, too, looks for a change of attitude to bring about a breakthrough for women into positions of economic power. She says the private sector must abandon male expectations about single-minded devotion to work and long hours.

"If I can be deputy prime minister with three children and still take care of them, then surely so can bosses in the private

\*Women and Men in Sweden. Statistics Sweden Publication -Services, S-710 89 Orebro, Sweden,

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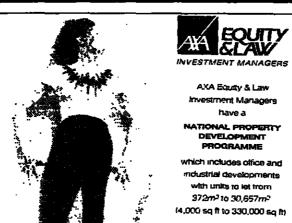
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(I) the sanction under Part I of Schedule 2C-to the Insurance Companies Act, 1982 ("the Act") to a Scheme (heartmarfor-called the "Scheme") providing for the transfer by Prosperity Life Assurance Limited ("PLA") of the whole of its long term insurance business to Century; and.

(2) an Order anking ancillary provision for implementing the Schomac ander paragraph 5 of Schomac ander paragraph 5 of Schomac and a report

Copies of the Petition, the Scheme and a report by an independent actuary in pursuance of the said Part I of Schedule 2C may be impected in the offices specified in the Schedule horstocking business brown for a period of 21 days from the publication of this Notice. The Pesiton is directed to be heard before the Registrar Buckley at the Royal Courts of Junice. Strand. London, WC2A 2LL on Wednesday, 19th July 1995 and any pursual, including any employee of PLA or Courts; who claims to be adversely affected by the Scheme pay uppear as the time of the hearing in pursue or by Countel.

Any person who intends so to appear, and any postory helder of PLA or Country who dissents from the Scheme has does no latend up to appear, should give not less than two clear days prior notices in writing of such intendes and dissent, and the reasons; therefor, to the Solicitous assued before.

olichous named below.

Copies of the documents specified show will ed by made Salid re promoted by such Schedules in my pa-requiring them pulse to the making of an O sunctioning the Scheme on payment of prescribed charge for the name. Dated this 16th day of June, 1995 The Brooch Sherrest Law Parts

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CANADA EN MARKETINE

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cient, but highly efficient.

CONCERTS (93) 268 1000 soprano Angela Maria Blasi and baritone Andreas Schmidt. Armin

**■ BERLIN** 

CONCERTS Konzerthaus Tel: (020) 309 21 02/

Mozart; 8pm; Jun 16, 17 Catalan Festival: soprano Victoria de los Angeles is accompanied by the Guitar Quartet from Barcelona to play Guerrero, Sor, Giuliani and Montsalvage: 7.30pm; Jun 18 Radio Symphony Orchestra Berlin: with soprano Celine Lindsley. alto Jane Henschel and tenor Donald George. Rafael Frühbeck de Burgos conducts Mendelssohn; 7.30pm; Jun 16 Staatsoper unter den Linden

dissonant words in the English language, the have been sounding in tune. Last week the City of London reacted with gentlemanly reticence (but ill concealed chagrin) to the news that one of its nampered children, the Royal Shakespeare Com-

uddenly two of the most

pany, was cutting its annual residency at the Barbican Theatre in half in order to spend more time touring the regions, Next week the City thinks positive, as its festival opens shop. This is not just another City of London Festival. After years of quiet torpor an attempt is being made to raise the cultural temperature. The City has pledged £250,000 in subsidy for each of the next three years if the

In year one, thanks mainly to the Bank of Scotland, Marks & Spencer and the National Grid, the challenge has almost been met and a much stronger festival has course - Handel at the Guildhall; Britten at Southwark Cathedral: plenty of Purcell; plus a welcome push for street credibility with the Bootleg Beatles sharing Paternos-

organisers can find matching fund-

ing from corporate sponsors.

The City's affair with the arts The cultural temperature in the Square Mile is warming up, reports Antony Thorncroft

fair, and piazza theatre at Broad-Michael Cassidy, chairman of the City's policy and resources committee, makes the right noises about the City's responsibility to contribute to the cultural life of the nation, but he does not disguise the fact that the City knows it must fight for its place as one of the world's leading financial centres, and that the arts can play a deci-

sive role in maintaining its posi-tion. The City Fathers have observed that rival cities, like Paris and frankfurt, can be more enjoyable places in which to work and live, not least at street level. The City is enthusiastically embracing quality of life. This is not a completely new development: the arts is already

the second largest expenditure item

in the City's budget (after the

police), taking up, if you include museums and libraries, £30m a

year. Over the last decode the realter Square with an arts and crafts ists on the City's Common Council have won the battle with the philistines, often the accountants who looked at balance sheets rather than the wider issues when voting money for the arts.

Most of the City's aid, £18.5m of it, goes into the Barbican Centre and it has risen nobly to a suc-cession of crises that, in the past, might have shattered its resolve. When the RSC had its last financial crisis the City doubled its subsidy, to £3.6m this year; when the artistic community at the Barbican fell out with the director, Baroness O'Cathain, it was the Lady who went last Christmas. The City is corrently spending

19m on refurbishing the Barbican arts centre, trying once and for all to dispel its image as a concrete bunker. Cassidy now boasts that the City is the third higgest pay-master of the arts in the UK, after the Arts Council and the BBC.

In tune with the current, upbeat, mood, the City is putting a positive gloss on the desertion of the RSC. "It's a challenge", says Bernard Harty, chamberlain of the City and temporary boss at the Barbican. He seems prepared to be reasonable when the City re-negotiates the RSC's contract, although Cassidy says decisively "halving our grant seems a good starting point". The money saved will go towards filling the six empty summer months with a series of seasons, by portable opera troupes and theatrical com-panies: already the Bristol Old Vic has enquired about a residency.

and the main theatre.

Summer access to the theatres suddenly makes the job of the new director of the Barbican, who will be chosen in August from 200 applicants, much more important and exciting. Although the resi-dency by the RSC, "the best rep

The City also plans a bid for lottery

money to help improve both the Pit

company in the world," according to Harty, gave the Barbican prestige and good audiences, it often proved a moody tenant, with its artistic directors complaining publicly about depressing dressing rooms and an absence of fizz. Also the RSC found it impossible to join in many of the arts festivals that the Barbican has been keen to promote. The new flexibility should enable the director of the Barbican

to mount a more imaginative pro-

For the City seems determined to

run with its new enthusiasm for the arts. It welcomes the idea that the temporary home of the Royal Opera House during its closure may be on City owned land oppo-site the Tower of London; it is currently devising an arts strategy that will spread the message out from the Barbican Centre and into the many livery balls, Wren churches and historic buildings that, apart from a few days during

ture; there is talk of an arts use in the re-developed Spitafields Market: and the pedestrianised areas appearing all over the City as a result of the anti-IRA road closures could act as islands in a new environmentally friendly, culturally aware, Sogare Mile.

It is not only among the members and aldermen at Guildhall that the City's love affair with the arts blooms. In November Stationer's Hall pays host to the St Ceciliatide International Festival of Music. featuring, among others, the Lindsay String Quartet, Joshua Rifkin and John Lill. This will be the first of an annual festival which, in true City tradition, both celebrates the nast the annual "musick feasts" which took place in the Hall in the 18th century, and offers opportunities for genteel corporate entertain-

There is also an appreciation by City companies that their current

image as money making automatons could have deleterious politi-cal effects. City firms do not punch their weight in corporate giving, especially to the arts, and it is unfortunate that this year the most generous, Barings, (mainly through its Foundation) was brought low. Often Japanese companies, Swiss banks, and US giants like Morgan Stanley and Goldman Sachs have shown more social conscience than traditional firms, but now companies like Warburgs, Kleinwort Benson, Morgan Grenfell. JP Morgan and Schroders are devoting tiny sums towards the community, and

When the City of London Festival ends on July 7 venues like the Vintner's Hall, Guildhall Old Library, St Peter ad Vincula in the Tower, and more, will go off-limits again. But behind the scenes the Barbican negotiations will start, the arts initiative will be pursued, and, belatedly, and perhaps unconvincingly, the City will finally appreciate that while the UK has fallen back in many fields, including financial services, in the arts it still mainone that can be exploited to boister its traditional commercial

Theatre/Sarah Hemming

### A Midsummer Night's Dream

he Open Air Theatre in Regent's Park started with a high-speed Richard III this year, shunting A Midsummer Night's Dream a little closer to the solstice. But even with Midsummer's night only a week away, temperatures still suggested that The Winter's Tale would be a more appropriate choice. With a chill in the air, John Doyle's highly stylised, cute and kitschy ver-

sion of the hardy annual is at least cheery on the eye, if deliberately perverse. James Merifield's design ignores all the natural assets of the venue - here the nodding tree-tops do not blend into a stage forest, but are bundled away behind a huge blue scarf that spreads over the whole set and, with its gold fringe, blue splodges and white speckles, resembles a garish tie-and-dye experiment left over from the 1970s.

The costumes meanwhile suggest a collision between Wagner's Ring and a chocolate box. Titania and Oberon stride about in mock heroic drapes and armour, while the Athenian lovers seem to have walked off the Quality Street tin; the boys in toy soldier uniform, the girls in pink and blue crinolines. The fairies are putti-like figures in blue silk pantaloons and crinoline hoops, the mechanicals are decked out in brightly coloured patchwork suits and Puck (Tovah Willcox) is a Pears soan ad: a mischievous little boy in a sailor suit with hubbles for hair and a cupid's kiss for a mouth. What the Americans would term "hair units" play a sizeable part: curls for the fairies, ringlets for the girls, whiskers for Oberon and a veri-

This sinisterly jolly. Victorian toybox setting emphasises the make-believe in the play and the childish pet-

s a component of the Royal

Opera's gigantic ongoing Verdi

Festival (from now to 2001, every

single one of his operas), we have

the nth revival of Un ballo in maschera in

the old Otto Schenk production, as re-di-

rected by Patrick Young. I still admire

Jürgen Rose's sets, which capture a Scan-

dinavian period-feel - the action is dated

1792 - with the right imitation-baroque

stuffiness. The new conductor is Philippe

Auguin: less searching or subtle than effi-

This Covent Garden version rightly

insists upon the original Swedish setting, though the time-honoured Italian names

are retained. As with Stiffelio, Verdi

encountered ridiculous problems with the

ulance that drives most of the falling in and out of love. It also makes it clear that the humans are so many wind-up playthings with little control of their feelings or fate. The fairies stay on stage throughout and Titania and Oberon are played by the same actors as Hippolyta and Theseus (a forceful Harriet Thorpe and a ramrod Brian Protheroe).

Beyond this concept, there is not much depth, however, and there is a price to pay for it. The lovers are ridiculous enough as a group, but they are scarcely distinguishable as characters, and none of them seems to suffer any real anguish at all. The mixed-up fight that is at the centre of the play becomes tedious and tiresome, partly because you do not care about any of the characters and partly because it is played on one level with no changes of direction, mood or pace. Subtext is off the

The mechanicals are amusing, led by Robert Lang's cosily funny, rather touching Bottom. But in a production where everyone looks like a cardboard cut-out, they are hard put to change the tone and provide comic interludes. And Willcox's Puck is compelling, an inscrutable being who arrives on increasingly absurd sets ( wheels - skateboard, scooter, rollerskates, penny-farthing. Little touches like this are enjoyable and in the gathering darkness, the production's broad brush strokes pay off. As a way of offering a new spin on the text in an auditorium where subtlety is not easy to work with, it is effective. But any sense of the depth, mystery, darkness and magic of the text is gone with the wind.



### Theatre/Ian Shuttleworth Puberty blues in 'Danti-Dan'

Richard Cameron has a long-lost sister. Actress ∟ Gina Moxley's first play Danti-Dan - with its sexually awakening youngsters in a dead-end small town, its devious manipulator and its tragic innocent, its undertow of sentimental nostalgia deliberately undermined by hard comedy is set in early Cameron territory transferred from South Yorkshire to County Cork.

In the heat of the summer of 1970, as they kill time by the village monument. Moxley's five teenage characters find their respective sexualities flowering at different rates. Sixteen-year-old Ber is pregnant by her amiable wastrel boyfriend, while her 14-year-old sister Dolores is running to keep up with her younger friend, the brazen and amoral

Caught in the crossfire is Dan, a 14-year-old with a functioning age of eight: in his cow-boy hat and twin holster, he would rather take down car numbers and dream of the Wild West, until Cactus unfeelingly sets to work upon his young mind in order to avail In Lynn Parker's production

for her Rough Magic company, Dan is even more of an outsider. Alan King, in shorts and satchel, looks less plausibly his character's age than any of his fellows, lending Dan an air of Blue Remembered Hills absurdity. Partly because of this, the sympathy beneath the comedy becomes obscured and the sudto bring off its intended shock effect.

However, Sophie Flannery's Cactus is a fine creation: sharp-tongued, single-minded and shameless, impatient to try on a set of grown-up genes. her recklessness drives the play. Flannery's comic strengths are best shown in her double-act scenes with Dolores - Eileen Walsh in ber professional debut, whose gawky facial expressions and talent for stealing moments lend her an astonishing resemblance to comedian Sean Hughes.

f the backbone of the play is the well-worn "puberty blues" theme, its muscle , and sinew are provided by the persistent humour. Every Irish writer whose characters have even a trace of brash young cynicism must by now be fed up with being compared with Roddy Doyle, but it is a useful shorthand. Moxley's Cork is a more gentle environment than Doyle's Barrytown, but no warmer or more hopeful; the sort of place where "if you lost your virginity, some home to your mother" as Ber remarks.

At bottom, Danti-Dan has no pretensions to being a sensitive exploration of hormones in bloom: its a simple teenage comedy and judged by its own lights it is a small gem.

At Hampstead Theatre until July 1 (0171 7229301).

Opera/David Murray

### 'Un Ballo' revived for the Verdi festival

be relocated hither and thither, and stripped of any seriously regicidal suggestion. Schenk stopped short, however. of the quixotic Swedish production which sought also to respect the historical fact that King Gustavus III, the liberal monarch who was indeed assassinated at a masked ball", was also gay.

Oscar was Gustav's real inamorato, and

That Stockholm staging tied itself into knots with its pretence that the pageboy

the royal affair with Amelia - the mainspring of the opera! - a mere public fraud.

Just a whiff of that remains here, where Judith Howarth's expert Oscar seems to be on curiously intimate terms with the King. Other singers too return from previous revivals. As the chief conspirators Counts Ribbing and Horn, Roderick Earle and Michael Druiett supply strong singing and deft characterisations, and Jane Hen-schel's melodramatic Ulrica (aka "Madame

Arvidson") is a clever combination of lofty

seeress and canny charlatan. From Mark Beesley, who stepped in at the last moment to replace an ailing singer as her first naive customer, we got a broad, appealing sailor-cameo.

The three principals are all new. The

King is the tenor Kristjan Johansson who scarcely ever smiles, presumably because he is an Icelander - but is stylish, lusty and even insouciant with his music in an experienced, seasoned kind of way. He allows himself rather too many Italian-

ate half-sobs; he sings elegantly enough to forgo that trick. His Amelia is Michele Crider, suddenly in international demand, who acts routinely by numbers (her learful visit to the gallows-place was a model of dim placidity) but spins a rich vocal line, cultivated and with real dramatic depth at both extremes of her register. As her betrayed spouse Anckarstroem the Spanish baritone Eduardo del Campo

mature, near-grizzled royal challenger. It will be quite different in the remaining performances when Renato Bruson, now almost 60, returns to the role. But Del Campo rose strenuously to climaxes, and to enthusiastic applause, though in the bass range - vital for Anckarstroem - his voice is pallid still and needs more work. All in all, nonetheless, this Ballo rewards our attention; its clean lines set the dramatic structure in very sharp relief.

youngish husband threatened by a

This revival supported by Dr Stanley Ho, OBE, CStJ: further performances June 17.

impressed, and sometimes stirred.

If we are not much moved, we can still be



**■** BARCELONA

Palau de la Música Catalana Tel: Swiss Romande Orchestra: with Jordan conducts Brahms' "German Requiem"; 8.30pm; Jun 16

 Berlin Symphony Orchestra: Kurt Sanderling conducts Beethoven and

Bom: Jun 21 OPERA/BALLET

Tel: (030) 200 4762 ● Berlin State Orchestra: with pianist Daniel Barenbolm, soprano aura Aikin and mezzo-soprano Katharina Kammerloher. Pierre Boulez conducts Wagner, Bartók and his own compositions; 4pm; Jun 17, 18 (11am) OPERA/BALLET

 Der Rosenkavalier: by Strauss.
 Conductor Jiñ Kout, production by Götz Friedrich; 7.30pm; Jun 22 Martha oder Der Markt zu Richmond: by Friedrich von Flowtow, Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7.30pm; Jun 16

Deutsche Oper Tel: (030) 34384-01

 Onegin: music by Tchalkovsky. Premiere at this venue, choreographed by John Cranko. produced by Reid Anderson and Jane Bourne; 5pm; Jun 17 Tristan und Isolde: by Wagner. Conducted by Jiff Kout and produced by Götz Friedrich; 5.30pm;

■ BRUSSELS

CONCERTS De Munt/La Monnaie Tel: (02) 218 Juliane Banse: soprano

accompanied by planist Wolfram Rieger, 8pm; Jun 16 The Musicians of the Louvre: Marc Minkowski conducts Clarke's "Ode on Henry Purcell's Death" and Purcell's "Dido and Aenees". Soloists Include Benjamin Butterfield, Armand Gavrilides, Brett Polegato and Véronique Geens; De Munt/La Monnaie

Tel: (02) 218 2211 The Masked Ball: by Verdi. Conducted by Antonio Pappano and produced by Guy Joosten. Soloists include Franco Farlna/Richard Margison, Edouardo Tumagyan/ William Stone and Elena Zaremba; 8pm; Jun 17, 18 (3pm), 20, 22

**■ FRANKFURT** 

OPERA/BALLET Oper Frankfurt Tel: (069) 23 60 61

Lady Macbeth of Misensk: by Shostakovich. Conducted by Guido Johannes Rumstadt and produced by Wemer Schroeter. Soloists include Valeri Alexejev, Ryszard Karczykowski and Christine Ciesinski; 3.30pm; Jun 18

 Reigen: by Boesmans. A new production conducted by Sylvian Cambreling and produced by Luc Bondy. Soloists include Pla-Marie Nilsson, Doug Jones and Etzbieta Ardam; 7,30pm; Jun 21

■ GENEVA CONCERTS

Victoria Hall Tel: (022) 311 2513 Swiss Romande Orchestra: with pianist Dominique Merlet. George Pehlivanian conducts Debussy, Ravel, Boulez and Stravinsky; 8.30pm; Jun 22 OPERA/BALLET Grand Theatre de Geneve Tel: (022) 311 2211 Orphee: by Gluck, French adaptation by Pierre Louis Moline. Conducted by Jeffrey Tate,

produced by Andreas Homoki.

Soloists include Anne Sofie Von

Otter, Barbara Bonney and Elizabeth

Futral; 8pm; Jun 18, 21 LONDON

CONCERTS

Barbican Tel: (0171) 638 8891 London Symphony Orchestra: with soprano Cheryl Studer. Andre Previn conducts Strauss' "Four Last Songs" and "Alpine Symphony"; 7,30pm; Jun 18

 Peter Grimes: by Britten. Richard Hickox conducts the City of London Sinfonia and soloists Philip Langridge, Janice Watson and Alan Opie for a concert performance; 7.30pm; Jun 20

Royal Festival Hall Tel: (0171) 928

 Grand Classical Gala: the National Symphony Orchestra with pianist Philip Dyson and the Kentish Opera Chorus. David Coleman classics; 8pm; Jun 18 ● Itzhak Periman: Yoel Levi conducts Sibelius and Mendelssohn; 7.30pm; Jun 17 New York Philharmonic: Kurt Masur conducts Strauss'

"Metamorphosen" and Beethoven's "Symphony No.3"; 7.30pm; Jun 16 Philhamonia Orchestra: with pianist Paul Crossley. Esa-Pekka Salonen conducts Messiaen's "Turangalila Symphony"; 7.30pm; Jun 20

 The Bach Choir, with the Philharmonia Orchestra, soprano Şuşan Bullock, mezzo-soprano Jean Rigby, tenor Richard Edgar-Wilson and bass Willard White. Sir David Wilcocks conducts Medelssohn's "Elijah"; 7,30pm; Jun 22 GALLERIES Riverside Studios Tel: (0181) 741

Yevgenny Khaldei: war

photographs by the artist who was employed by the Tass news agency during WWII; to Jun 17

THEATRE National, Lyttelton Tel: (0171) 928 Absolute Hell: by Rodney

Ackland, directed by Anthony Page.

Bohemian life in a London drinking club in 1945. Cast includes Judi Dench and Greg Hicks; 7.30pm; Jun National, Ofivier Tel: (0171) 928

 Women of Troy: by Euripides, translated by Kenneth McLeish and directed by Annie Castledine; 7.15pm; Jun 19, 20, 21 (2pm) , 22

MUNICH GALLERIES Bayerische

(089) 23 80 50 Naples: works produced between 1988-90 by the action artist Ernest Pignon-Emest that are influenced by

17th century Neopolitan artists such

as Stanzione, Caravaggio and Ribera; to Jun 18 (Not Sun) NEW YORK

THEATRE Plymouth Theater Tel; (212) 239

Chronicle of a Death Foretold: book by Gabriel García Marquez, adapted, choreographed and directed by Graciela Daniele; 8pm; (not Mon)

PARIS

CONCERTS Châtelet Tel: (1) 40 28 28 40

cuts an interestingly severe figure. It is unusual to see Anckarstroem as a nervy Choir and orchestra of Les Arts Florissants; with soprano Susan Bullock, alto Susan Bickley, tenor Mark Padmore and bass Thierry

VIENNA

Beethoven; 8pm; Jun 16

CONCERTS Gesellschaft der Musikfreunde Tell (1) 505 1363 Viennese Symphony Orchestra: with soprano Charlotte Margiono,

Felix. William Christie conducts

lenor Herbert Lippert and bass Alfred Muff, Wolfgang Sawallisch conducts Haydn's "Pastorale": 7.30om: Jun 22 Wiener Konzerthaus Tel: (1) 712

 New York Philharmonic: Kurt Masur conducts Strauss and Beethoven: 7.30pm; Jun 20 Viennese Philharmonic Orchestra Lorin Maazel conducts Shostakovich and Strauss; 7.30pm; Jun 16 Viennese Symphony Orchestra: with tenor James Wagner. Raphael Frühbeck de Burgos conducts Berlioz's "Grande Messe des Morts\*: 7.30pm: Jun 18, 19

WASHINGTON

CONCERTS Wolf Trap Tel: (703) 255 1860 National Symphony Orchestra: Peter Bay conducts an all-Tchaikovsky programme; 8.15pm; Jun 16

 National Symphony Orchestra: selections from 1940's movie scenes. Peter Bay conducts Addinsell, Hermann, Berlioz, Rodgers and Tchaikovsky; 8.15pm;

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r Jean Saint-Geours, part-time full-time chairman of the Commission des Opérations de Bourse, the French financial markets regulator, plans to call his next book Leave Your Gods in Peace. it could equally be his response to the growing number of critics of his organisation.

As Mr Saint-Geours approaches the end of his sixyear term this autumn, the watchdog is under scrutiny. Critics say "the gendarme of the bourse" has failed to deal effectively with allegations of corporate irregularities, including the troubles at Crédit Lyonnais, the lossmaking state-controlled bank.

COB officials are also accused of being unwilling to challenge their oeers in the business establishment over suspected financial misdeeds. A draft law to overhaul its activities has been prepared by a group of senators. "The COB needs greater independence." says Mr Philippe Marini, a senator close to newly elected French president Jacques Chirac. "The question is what is the best form of institutional architecture for the Paris financial marketplace in the future." says Mr Marini, the principal sponsor of the bill.

Modelled on the US Securities and Exchange Commission and founded in 1969, the watchdog regulates the French financial markets, scrutinising corbids, share dealing activities and the work of securities houses in an effort to ensure smooth and legal operation.

Its status was substantially boosted in 1989 when it was given greater investigative powers and the authority to impose fines and other penalties on companies and individuals directly rather than having to refer every decision to the courts.

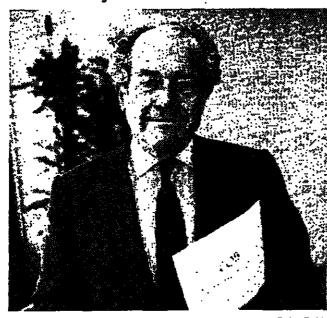
Its 1994 annual report shows it has been far from idle in the past six years, with 91 inquiries concluded, 23 referred to the public prosecutors, 17 to the market authorities and 12 at present subject to its own sanctions procedures.

Less visibly, its officials examine the annual reports of all quoted companies, as well as bid documents and other official market announcements. About half of these, Mr Saint-Geours says, are

amended as a result. Supporters of the watchdog argue that it has substantially reduced the amount of insider trading in France in the past few years. Its streamlined

### **Embattled** gendarme of the bourse

Pressure is growing for reform of France's market regulator, says Andrew Jack



Jean Saint-Geours: the reform proposals are 'pie in the sky'

corporate stakeholders.

companies still have a quality of financial information and an

approach to their minority

shareholders from another

said recently. "In the face of these practices, the COB seems

has rested with majority share-

holders, but he stresses the

watchdog has taken several

initiatives in an attempt to

strengthen the legal rights of

"Ninety per cent of investors are passive," he says. "We do

our best to communicate and

parent, but there is a lack of

interest from many people. It's

Minorities remain weak." This

is perhaps particularly true in

France, where the rise of mass

share ownership is a relatively

problem of democracy.

make companies more trans-

individual investors.

The response of Mr

Saint-Geours is that

"since the start of cap-

italism", most power

powerless or indecisive."

"Numerous quoted French

approach to sanctions makes it a more swift and certain alternative to bringing prosecutions in the courts, whose procedures Mr Saint-Geours calls "long and complex".

Since 1989 things have really changed. We feel insider trading has diminished considerably and that people pay attention now." he savs in his office overlooking the Seine in Paris. He does concede that "it's still possible people are doing it in ways we are not capable of detecting".

In one example of using its teeth, the watchdog ruled that Mr Jacques Fournier, a director of Lyonnaise des Eaux, the water and utilities group. had abused privileged information by selling shares just before it issued a profits warning. It fined him FFr40.000 (\$8,105). and he subsequently resigned

from the board. But the watchdog is less active in other areas, and has been sharply criticised for not protecting minority shareholders against large

recent phenomenon linked to government privatisations

His view is shared by Ms Colette Neuville, head of the Assoclation for the Rights of Minority Shareholders; the group has used the courts to attack abuses of power by raiders in the past, but believes most necessary legal reform has happened. "It is now more a question of persuading shareholders to exercise the power they have been granted," she says.

The watchdog has also been accused of attacking first and asking questions later – by launching inquiries with great fanfare before concluding quietly there is no case to answer. Another criticism is that its reprimands tend to target smaller market participants rather than the larger compa-nies and their directors. "The

COB looks for scapegoats and only attacks the little fish, not the big ones," says Mr Christian Cambier, head of Prigest, an investment company which has itself recently been fined by the watchdog.

Among numerous other

examples, he cites the fact that there was never an inquiry into Credit Lyonnais, which lost money through both incompetence and fraud, even though it has publicly traded shares which should bring it

The draft legislation prepared by Mr Marini and others provides for a reconstituted COB to be governed by six regulators with nine-year terms; they would be chosen by the French council of ministers which includes Mr Chirac from nominations by parlia-ment, and would then elect the COB president from among

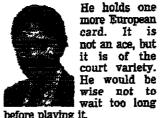
That contrasts with the present system of officials nominated for four-year terms by institutions involved in the operation of markets; only the watchdog president is nominated by the council of ministers. Mr Saint-Geours calls Mr Marini's proposals for reform "pie in the sky" and argues that the watchdog already operates independently. "It's a very typical French reaction ... to believe the high-ups are protected," he says. "There is absolutely no distinction in principle between the big and

But Mr Chirac has criticised the power and elitism of the French establishment. Mr Saint-Geours' successor whose appointment will be strongly influenced by Mr Chirac - is likely to have to pay more heed the vocal critics.

the little fish."

Philip Stephens

### To play the Tory king



before playing it. We have all of us too long speculated about the threat to John Major's leadership. The prime minister, standing among the debris of his government like the bewildered hero of a comic strip, has delighted in our miscalculation. Perhaps we will be wrong again. Perhaps the latest convulsions on the Tory backbenches are just another bout of midsummer madness. Perhaps. No one is betting on it.

doubts about the danger, they were dispelled at this week's encounter with his party's Europhobes. It was meant to be a meeting, if not of minds, then at least of reason. The four dozen or so who filed into his room at the House of Commons have lost sight of reason. The older xenophobes (they call themselves Eurosceptics) are still fighting the Germans 50 years on. Their young allies from the class of 1992, were described this week by a usually mild-mannered minister as no more than a bunch of popu-

list spivs. They are dangerous spivs. These intellectual heirs to Norman Tebbit see no place for themselves in a government led by Mr Major, or for that matter, Michael Heseltine. It is opposition which will give them their chance, nationalism their standard. But getting rid of Mr Major would be a potent demonstration of the power they now wield in the Tory party. Mr Major was outraged at his treatment. In 10 Downing Street these days, "bastard" is regarded as too flattering a description of his

Mr Major denied them their ransom. He would not (and could not) rule out British parcicipation in a single currency during the next parliament. He does not think it will happen. But to say so unequivocally would be to strip him entirely of any remaining credibility; and to force the resignation of his chancellor. So now his enemies promise a leadership chal-

He holds one lenge in November. Norman Lamont stands ready, knife in hand. Unable to find a constituency which will select him to fight the next election, the former chancellor is judged an eminently suitable assassin. Looking down the list of hasbeens and never-will-bes on the Tory backbenches, it is no longer difficult to find the requi-site 33 willing to force a contest. Looking at the government's standing in the opinion polls it is no longer fanciful to imagine another 50

> Mr Major would find it impossible to stay. Lest the prime minister blame us in the media for stoking the fires of speculation, the above is no more and no less than common currency among his ministers and backbench MPs. I can detect no visible plots within the cabinet. I have

or more abstaining. If more

than 100 refused him backing.

never seen so much positioning against the possibility that the prime minister might fall. Mr Heseltine. of course, is the name on everyone's lips.

self always seems to pop up at the appropriate moment. His statement this week in the Commons about breaches of the government's embargo on Iran as well as Iraq during the 1980s could not have been better timed. Yes, he told us, Margaret Thatcher's government has been sloppy, if not to say culpable, in the way it had allowed arms exporters to evade restrictions. No, he had not been a member of that government. Yes, he had instigated at his own initiative a rigorous investigation of these past misdemeanours. As for Jonathan Aitken, well, he could speak for himself about his involvement with one of the companies alleged to have breached the embargo. Hadn't the chief secretary said he had nothing to hide? Perhaps we are all too cynical. But to my mind, the scarcely subliminal message seeped from every phrase. Mr Heseltine is not

only free from blemish. He is a man in command, a leader. But if the Prezza is the heirheavyweight may yet decide the fate of the king. The star of Kenneth Clarke has waned more than it has waxed this past year. His publicly proclaimed commitment to a single currency may have removed forever his chance of leading the Conservatives. His own sense of that explains why

he can so carelessly describe as rightwing xenophobes men who would wield influence in a leadership contest. But the chancellor's moves this next few months will be critical to Mr Major's future. It is Mr Clarke, of course, who holds a veto over the bargain demanded by the Eurosceptics. If the prime minister were to rule out a single cur-

rency during the lifetime of the next parliament, the chancellorwould resign. Those who believe that Mr Major could survive his departure live in a world light-years away even from bizarre realities Norman Lamont ster. The chancel-

stands ready, knife in hand. Unable to lor, though. find a constituency, has the capac he is judged a suitable assassin

The thinking among Major's enemies is that, we're he fatally wounded, Mr Heseltine would emerge as a unchallenged successor. Sure, the Prezza is a European (and much more so than most on the right realise). But, the calculation goes, he would be obliged to strike a deal with the devil or, the depending on where you stand, the deity. Michael Portillo, the prince of the sceptics, would be given the Foreign Office. There would not be much chance of Mr Heseltine winning the general election. But he would prevent a rout, leaving Mr Portillo with a decent inheritance.

powerful force

for restraint.

Leave aside for a moment all the ifs and buts in the scenario. Mr Clarke has the capacity to wreck it completely. All the chancellor has to do is make clear that, if the prime minister steps aside, then he will fight for the crown. That would draw Mr Portillo into the ring and, probably, one or two others. It would promise a bloodbath. Heseltine, probably, would still win, but at what

many of Mr Major's enemies think twice.

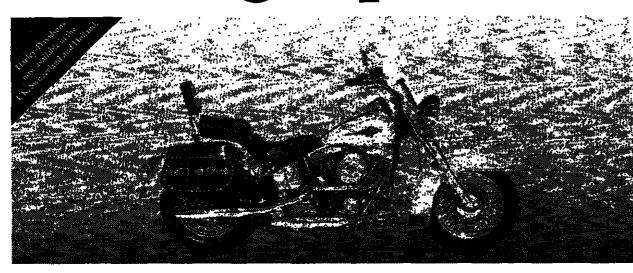
A few weeks ago Mr Clarke's position was indeed unequivo-cal he would fight his corner, even if he was guaranteed only a few dozen votes. Friends are now suggesting that he might change his mind. He is under pressure from the grandees of One-Nation Toryism to cut a deal with Mr Heseltine which ensures the centre left of the party retains its grip on to the Treasury. I wonder. For all the occasional tensions, Mr Clarke has no wish to see Mr Major depart. Either way, his decision will be critical.

Which brings us to the prime minister's last card. If he cannot say no forever to a single currency, be can say it would never happen without a referendum. It would not buy off the 'phobes, but it might calm those for whom sceptic remains a more appropriate label. Mr Clarke once again remains the obstacle. He has scorned the idea that a Tory government could not make up its own mind.

There are however powerful Hurd, who first raised the possibility last autumn, is a powerful advocate. So too is Michael Howard, the voice of The chief whip supports the idea, as do most in the centre of the cabinet. Mr Heseltine is agin, but I doubt he would make a fight of it.

From the other wing of the party, Messrs Portillo, Peter Lilley and John Redwood are antipathetic. They know the promise of a referendum leaves the door open to a single currency. But many of their backbench supporters see a plebiscite as a safeguard, so the bastards have no veto. It is Mr Clarke who must be persuaded. I suspect he will be. The stakes are enormous. Many on his own wing of the party think a referendum a sensible proposition. The chancellor would have to eat some words. But could he resign rather than allow the prime minister to play this last card? I do not think so. We should know soon enough, though it will not be clear until November whether it takes the trick. From now until then all eyes will be on Mr Heseltine. I will be watch-

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### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine').

### The test of a single currency

From Mr Michael Loup.
Sir, You reported ("No single currency, no single market", June 9) Mr Yves-Thibault de Silguy, the European commissioner for monetary affairs, as saying: "If you want to keep the single market, then you have to have a single currency." He overstates the case for a single currency but more important, he does no mention the fact that a single currency which is not strong enough to withstand speculative pres-

the European Union. Creating a strong and robust single currency must be the

sures and collapses in value will almost certainly destroy

is worthwhile. One of the prob-lems with currencies seems to be the extent to which sentiment influences the market, and so it must surely be vital that the single currency is well supported within the sponsoring countries. Sterling has in recent months appeared to have suffered as the result of the UK government's lack of commitment to a more positive attitude within the EU. A single currency which is not broadly accepted by bankers. politicians and voters will suf-

fer worse than sterling. Would it not be sensible to encourage public support within the EU by first improving banking arrangements

already existing? Transfers of funds between the UK and France are delayed by French banking practice. The loss of transfers runs into hundreds of pounds a transaction owing to the spread in the exchange rate on any day and the exorbitant charges exacted by receiving banks, say, in Germany. Until the banks within the EU can demonstrate that the

system for simple matters is improving, how can voters have any confidence that a single currency will be managed for their mutual benefit? Michael Loup.

Herrengarten, Mandelring 229, 67433 Neustadt/Haardt,

### not a provincial

Newcastle.

### Private investor punished yet again

From Mr Dan Bunting. Sir. The UK government intends to treat capital gains on gilts and bonds as income; per cent, and 40 per cent for higher-rate taxpayers. It has issued a "consultative document", available for a fee.

This is the fourth recent private-investor-hostile initiative on the part of the Conservative administration. It follows the abolition of indexation for capital losses with full effect from April 1995. Before that, in his early 1993 Budget, Mr Norman Lamont reduced the tax credit dends from 25 per cent to 20 per cent. Before that, in the 1988 Budget, capital gains tax was changed to income tax rates, ie increased to 40 per cent for higher-rate taxpayers. This to our knowledge repre-sents the worst capital gains tax regime in the developed world, with no form whatever of "taper-off" relief over time. It was, for that matter, the Conservatives who introduced

the tax, in 1962 We are told that a "reform" on the lines proposed is a prerequisite for the development

associated with equity divi- of a complex financial instrument known as a "gilt strips market". This will promote market efficiency. It is felt nec-essary to minimise the period

of consultation. In these circumstances one observes that, to the government, private investors occupy a position one rung down in the social scale beneath badger-gassers. And who is going to stand up for them? Dan Bunting, investment strategist. Motheson Securities,

63 St Mary Axe,

### Influences on world food standards

From Professor Tim Lang. Sir, It is not just trade experts who await with interest the outcome of the first two food safety test cases to go through the new General Agreement on Tariffs and Trade/World Trade Organisation disputes procedures ("Health matters high on the WTO menu", June 8). The eyes of public health and consumer interest groups are also finely focused. At stake is not just the complex issue of what is good science, but how democratic the procedures are. The sanitary and phytosanitary standards agreement gave astonishing "influence" to the Codex Alimentarius Commission, a UN body, to set yardstick world standards.

A study of the Codex partici-

pation in the 1989-1991 Cracking the Codex, which I co-authored for National Food Alliance and was endorsed by a large coalition of consumer and environment groups worldwide, found a disturbing picture of who is involved and of a distinctly unlevel playing federations. field. Of the total of 2,578 people who attended Codex's 16 working groups (where the standards are set, then to be

pants from industry compared to just 26 from public interest organisations. There were 105 countries participating, but 140 of the world's multinationals: Nestlé, the world's largest food com-

ratified at full Codex meetings)

over the two year session we

studied, there were 660 partici-

pany, sent more representa-

tives to meetings than did most countries. The US sent more representatives that the entire continent of Africa. At the additives and contaminants meetings, for instance, 41 per cent were from transnational corporations or industry

Despite considerable pressure to reform this archaic and arcane system of setting what are now de facto world food standards, the Codex procedures were not reformed in the Gatt negotiations. Was this a sign of the new world order. capture of the agencies by the powerful?

Tim Lang, professor of food policy, Thames Valley University. St Mary's Road

## Certainly

Sir, I have been contacted by the person who read all of Mr Colin Amery's art column (June 5). He said that your correspondent had described me as dim and provincial. I may be dim but I am not provincial. I am an 0181 subscriber, which at the least makes me suburban. I hope you will rectify this and make suitable apologies to the inhabitants of places like Birmingham, Manchester and

Michael Manser, Bridge Studios, Hammersmith Bridge, London W6 9DA, UK

### Freedom is a smoke free area

From R.A. Currie.

Sir, One can but dream. How wonderful it would be if Philip Morris' advertisement (June 12) highlighting a small section of central London as the "Smoking section" was reality. Philip Morris attempts to justify smoking in public by reference to personal liberty. Passive smoking has been conclusively proven to be harmful, especially to children. Should not my or my children's right to be protected from other's harmful smoke be more important than the smoker's right to pollute my envi-

Philip Morris also attempts to justify smoking by showing the number of employees in the tobacco trade. It would be possible to justify anything in this way - justify the slave trade by keeping seamen in work? Justify unsafe goods by keeping medical staff in work?

These arguments are the arguments of a desperate and dying industry. Smoking in public is becoming widely accepted as anti-social, unhealthy, and inconsiderate, and something that needs to be

stopped. R.A. Currie 14 Thorn Close. Kettering,

Northamptonshire NN16 9BU.

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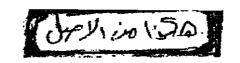
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FINANCIAL TIMES

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Friday June 16 1995

The merchant

bankers' dance

Alongside Kleinwort Benson's writers. In the 1970s and 1980s wooing by Dresdner Bank put the purchase of S.G. Warburg by Swiss and the big US firms led the race

to bring together many types of

As Warburg found, this big

league of investment banking

requires a large, inflexible cost

hase. Each time the interest rate

cycle turns down, another of the big undiversified investment

banks falls casualty. Nervous

smaller players are pushed into

The most eager participants in the latest wave of financial ser-

vices consolidation are the Euro-pean universal banks. Backed by

large, still partly protected deposit

bases, they possess an enviable scale and stability of resources.

As always in banking, it is open

to question whether the public

benefits from acquisitions backed

by implicit government guaran-

tees and access to cheap funds. And, for shareholders, the push

into investment banking may

prove costly. As Morgan Stanley's

interest in Mercury Asset Manage-

ment underlined, the City is most

competitive in equity fund man-

agement, which now outstrips the

more glamorous corporate finance

So far, the foreigners have spent more on the mature end of mer-

chant banking than on the part

with most potential. This should

calm the fears of those who care

about nationality of ownership.

More broadly, it raises a question

over whether this latest banking

fad will prove more durable - or

more profitable - than its prede-

China's detonation of a nuclear

weapon within days of the end of

the NPT conference was a snub

which the non-nuclear weapons

states will have felt keenly. Now

France has followed. There are

those on the right in the US who

argue that the abandonment of

testing is a curb on American free-dom of action for which the US

has received nothing in return. Their demand for a resumption of

tests could become an issue in next year's presidential election. The British defence establishment

demand, since the US moratorium

stopped Britain using the test site

in Nevada while its Trident war-

head development programme was

Even if the lengthy process of

negotiating the Comprehensive

Test Ban does not unravel, and a

treaty is finally concluded next

year, the resumption of testing is

another crack between the nuclear

powers' rhetoric on disarmament

and their continuing weapons development programmes.

Nuclear weapons will only be con-

tained if the nuclear powers

actively work towards arms reduc-

tions at the same time as exhort-

ing others to be chaste. The

French decision is hardly conso-

if this mushroom cloud has a silver lining it is France's pledge that this series of explosions will

be its last. Even so, the blasts

beneath the Pacific will weaken

the foundations of the world's

avowed effort to prevent the

nant with that objective.

still incomplete.

support to this

financial activities.

protective mergers.

Bank Corporation, the wobbly out-

look for Salomon Brothers and the likely end of the US's Glass Stea-

gall barrier between commercial

Together they illustrate an

unmistakeable trend: the domi-

nant financial players increas-

ingly provide not merely under-writing, corporate finance,

brokerage and marketmaking -

the traditional roles of an invest-

ment bank - but also retail and commercial banking, fund man-

You may doubt the synergies in

such diversified businesses; but

for good or ill the trend is clear. Look at Morgan Stanley, an

investment bank which has built

up a strong line of non-cyclical

businesses in fund management

and custody; at CS Holding, which has subsidiaries that range from

commercial banking to full-scale

investment banking; or at Merrill

Lynch, investment bank, retail

broker and money manager.
The race includes J.P. Morgan.

Deutsche Bank, Bankers Trust,

SBC, and UBS, all more widely

diversified than the traditional

investment bank. Even Goldman Sachs, still a private partnership,

In some countries, especially in

continental Europe, diversified

"universal banks" have always dominated. But in three of the big-gest financial markets – the US,

Britain, and Japan - regulation

created a distinct role for indepen-

France's decision to resume

nuclear testing in the South

Pacific is a blow to the prospects

of a comprehensive test ban

treaty, and no more palatable for being predictable. Ever since

François Mitterrand announced a

moratorium in 1992, right-wing

politicians in France had been agi-tating for a resumption of tests,

and there were signs during the

presidential campaign that Jacques Chirac would fulfil this wish.

There may be scientific arguments in favour of more testing:

the present moratorium was

strongly opposed by defence scien-

tists in both Britain and the US.

But Mr Chirac's decision is above

all political, as its announcement

on the eve of his first presidential

visit to the US suggests. Renewed

testing reinforces the image of

France as an independent military

entity capable of acting against American wishes in the most

potent of ways, and proves to Mr

Chirac's supporters that a new

and bolder hand is now at the helm of the French state.

Unfortunately, there is a price

to be paid for this reaffirmation of

French virility. The environmen-

tal impact of the tests is of con-cern, and worries about the geo-

logical stability of the Mururoa

test site have not diminished.

There is also a wider danger that

progress towards the Comprehensive Test Ban Treaty could be

undermined, particularly now that

the nuclear Non-Proliferation

Treaty has been indefinitely

renewed and pressure on the

Testing times

has a commodities arm.

and investment banking.

agement and insurance.

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TES FRIDAY JUNE 16 194

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and the second of the second o Certainly not a provincial

Freedom is

Trade

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a smoke free area

Not yet out of sight, certainly not out of mind. The Brent Spar oil platform, towed by tugs from its site in the North Sea, is today near the end of its journey to a seahed grave some 150 miles west of the Hebrides. Its owners, the Royal Dutch/Shell Group, want to scuttle the rig there in 2,000 metres of Atlantic waters. But the scheme is presenting them with a public relations nightmare. Ger-

man and British environmental groups are urging a boycott of Shell petrol. The German government now intends to raise the question of rig disposal with UK ministers, and may press for a ban on deep sea dumping. Environmentalists have attacked Shell's plans for Brent

Spar on the grounds that the platform's storage tank, which con-tains a residue of heavy metals and low-level radioactivity, will pollute the sea. They are right to say that Shell should supply extensive data about the materials in the platform. But environmental concerns are easily exaggerated; the capacity of the deep oceans to dilute pollution is often underestimated. Shell's case that the Brent Spar dumping would cause negligible damage has some

D. Sea weight. That is not to say that Brent Spar should set a precedent of deep sea disposal for the 220 oil platforms which litter the North Sea, and which will steadily become redundant. Brent Spar presents problems which other rigs will not; it is larger and dirtier than most, since it is a acceptable solution.

Troubled waters pure storage facility, with no drilling equipment. Smaller rigs can easily be towed to land and cut up. But it is useful that Brent Spar

is in the vanguard; the row has

increased pressure for a wide

debate about the rigs' fate. So far, the UK government has resisted that pressure. It argues that deep sea dumping is within guidelines set by the International Maritime Organisation, the United Nations agency which overseas sea pollution. That stance still leaves it with a charge to answer.

The underlying issue, which has fuelled much of the anger in the UK and abroad, is whether Shell and the UK government are flout-ing the principle that polluters should pay for cleaning up their activities. Other countries accuse the UK of taking the benefits of North Sea oil without accepting the full costs. UK taxpayers may also feel unhappy; under the tax regime permitted to oil companies, they may end up bearing 60 per cent of the cost of dismantling

The UK government has said repeatedly that "polluter pays" is one of the central planks of its environmental policy. It now needs to demonstrate that this is the case: For a start, it should insist that industries such as oil and gas make full provision in advance for future decommissioning and environmental repair. It should also be prepared to discuss the fate of all the rigs with other countries bordering the North Sea, in order to find an internationallyUK merchant banks: the tumbling dominoes



ike so many dominoes, the British-owned merchant banks are tumbling into foreign hands. News of Dresdner Bank's talks with Kleinwort Benson follows Swiss Bank Corporation's recent approach to S.G. Warburg and ING's decision to swallow up Bar-ings. The parallel with the rush to buy UK brokers before the Big Bang in 1986 is overwhelming. Will today's acquirers be any more suc-cessful than those which overspent

in the mid-1980s? Certainly there appears to be a strong "me-too" aspect to the present buying wave. Dresdner, Germany's second largest commercial bank, tends to follow what its bigger domestic rival does; and Deutsche Bank (with total assets of DM573bn) is energetically building up its London investment banking operation, based around Morgan Grenfell which it bought in 1989.

That said, Kleinwort Benson's position bears no resemblance to that of UK broking firms before Big Bang, when they were about to lose a profitable franchise in the old Stock Exchange cartel. From a disastrous pre-tax loss of £77m in 1990, the British merchant bank has made a recovery which draws tributes from its rivals, returning to profits of £97m last year.

It has carved out a significant place for itself in international privatisation work and has established a respectable market share in the highly competitive international mergers and acquisitions business. It has also established a solid record in international equity financing.

There are, then, real attractions for any bidder in Kleinwort's portfo-lio of businesses. The question is whether they represent the right building blocks for Dresdner's wider aspirations in wholesale financial services. Dresdner, true to its reputation as one of the least communicative of Germany's big banks, was reluctant to comment yesterday beyond a brief announcement. But in the view of many ana-

### No end to the wave of buying

John Plender and Andrew Fisher on the implications of Dresdner Bank's approach to Kleinwort Benson

lysts, there is a clear logic. According to Mr Stephen Lewis, European banking analyst at Union Bank of Switzerland, 72 per cent of Dresdner's revenues come from Germany, far more than at Deutsche Bank (64 per cent) and slightly more than at Commerzbank (71 per cent). Buying Kleinwort would shift the balance abroad. "From a strategic perspective, this is a good move if Dresdner wants to be stronger in international investment banking," he says, "and probably the only way to achieve this aim."

Then there is the question of price. Dresdner has never liked paying too much. It lost out to National Australia Bank in the competition to buy Yorkshire Bank in 1990. It considered buying Lehman Brothers, the US investment bank, but shied away at the likely price. There have also apparently been board disagreements over the possible DM2.2bn price for Kleinwort.

Yet Dresdner, which declined an opportunity to take a stake in Kleinwort in 1991, may feel that its hand is now being forced by events, as others cast a predatory eye over the remaining quoted UK merchant banks. Its apparent readiness to pay what promises to be a generous price reflects the fact that it would find it hard to build up alone what Kleinwort already has. "They are buying product knowledge which they would not get through the organic route," said Mr Chris Williams, banking analyst at Fox-Pitt across the full range of services.

Kelton, the UK stockbroker. "This plugs a product gap."
Closing that gap will take Dresdner a long way towards its ambition of becoming a more global bank,

following Deutsche's example. Dresdner has a small investment banking presence in London and only began asserting uself in the US when it bought out Bayerische Hypotheken- und Wechselbank as a partner in ABD Securities in New York last year and changed its name to Dresdner Securities USA. It bought Thornton, a UK fund manager specialising in Asia, and Oechsle, a US international fund manager, in the late 1980s, but these were hardly high profile deals.

Showing that it can be aggressive, though, the bank recently boosted the capital of the US investment banking arm sixfold by \$200m to add strength in the dollar bond market.

From Kleinwort's perspective, Dresdner would offer a safe and well-capitalised home. It also provides an answer to the UK merchant banks' big strategic dilemma: how to operate in highly competitive global markets from a base in a small domestic economy. In effect, the better capitalised US investment banks, with a hugely profitable domestic market, have succeeded in sweeping the global pool in cross-border wholesale financial services. No foreign investment bank offers them competition

Global investment banking is expected to show rapid growth for the foresecable future. Yet the trend is for fee income to shrink, while profits come increasingly from higher risk, more capital-intensive activities such as trading in securities and derivatives markets, in a business like this, there may be no tenable middle ground between the big league and the league for small, niche players. Opting for a change of ownership thus becomes a sensible strategic move. The risk for Dresdner is that buy-

ing Kleinwort still leaves it a long way behind the leaders of the investment banking business such as Goldman Sachs, Merrill Lynch and Morgan Stanley. It may have something to build on, but the UK merchant banks lack strength in many of the key areas, including bond trading and derivatives. Much of the value in UK merchant banking is now in asset management. Yet Kleinwort has not matched the success of Schroders or Mercury Asset Management in this area, with about £16bn of funds under management, compared with an estimated £66bn for MAM and £63bn

for Schroders. Moreover, as Mr Patrick Frazer of banking consultants DIBC puts it, there is a well-established "rich parent" syndrome that the German bank has to overcome. Hill Samuel. among UK merchant banks, is a notable example of the difficulties of climbing back to market promi-

nence even with the backing of the TSB. While Morgan Grenfell has been a very profitable subsidiary for Deutsche Bank, the mark it has made in global markets has not been commensurate with the strength of its parent.

Another risk is that the balance of power in investment banking has shifted significantly from the organisation to the individual. Part of the rationale for Warburg's decision to accept a far from generous bid from Swiss Bank Corporation was that it was suffering from defections, notably to Morgan Grenfell. On Wall Street, Salomon Brothers has been hurt by an exodus to UBS, which has been trying to build up its US operations. Mertill Lynch has lost key people, again to Morgan Grenfell, while CS Holding has been sim-

arrying the culture of commercial banking to investment banking is not easy. Of the US commercial banks that bought into the UK before Big Bang, not one emerged with a decent business.

Even assuming that Dresdner can overcome the cultural problems in acquiring Kleinwort, it faces a long haul. It must hope that, as with Deutsche's acquisition of Morgan Grenfell, what appeared an expensive buy at the time will turn out to be respectable in due course. There seems little doubt that the shareholders in Kleinwort Benson will emerge with a better deal than those at Warburg. With Kleinwort capitalised at not far short of £1bn, compared with shareholders' funds of £482m on December 31st, the premium for a second-tier merchant bank is handsome indeed.

CORRECTION

In yesterday's article about Japan, the net value of equities sold by Japanese life assurers in the last month should have read Y200bn.

### Why it is time to close down the IMF



the International Monetary Fund. Set up to monitor a fixed exchange rate system that has long since disap-PERSONAL peared, the IMF has become a government-to-government welfare agency that transfers wealth at its own dis-

cretion, yet fails to promote real market reform. Not only are the mechanisms it uses for effecting such transfers profoundly undemocratic but they also stoke up inflation and tend to hinder the process of economic reform rather than help it along.

The organisation, in sum, does more harm than good. Officials at this week's Group of Seven summit in Halifax. Nova Scotia, should be discussing how to close it down. At its meeting last September, the IMF proposed to issue more than \$50bn of Special Drawing Rights, its version of paper money, to increase liquidity. Much of the new money would have been given to Russia and other states of the former Soviet Union, to encourage eco-

ic reiorm and the de of a market economy.

The plan was defeated because other developing countries wanted more of the new money for themselves. A coalition of Latin American and other developing nations marshalled enough votes to stop the transfer. It would have been more accept-

able if the plan had been defeated because it was foolish, wasteful costly and undemocratic. After all, the creation of SDRs allows an unelected international body to transfer wealth from developed to developing countries without votes by Congress or any of the parliaments of MF members.

SDRs were created 25 years ago when the principal countries of the world were on the Bretton Woods system of fixed exchange rates. They were supposed to supplement gold as a reserve and source of liquidity while avoiding the costly process of digging it up. But whatever validity this reason-

ing may have had in the 1960s, it has none now. The Bretton Woods system ended in 1971 and cannot be restored.

SURS IS AISO INIIA tionary: in a sense, no different from printing money. SDRs confer a right to buy goods without any addition to the stock of goods. The world price level must rise as a consequence. It is easy, but wrong, to dismiss the inflationary effects as small on the grounds that countries can offset them by controlling their money stocks.

Funds are often used to maintain subsidies to inefficient state enterprises, instead of eliminating them.

Even without the authority to issue new SDRs, the IMF transfers wealth from the citizens of developed countries to recipients in its client states in the form of loans. The \$14bn loan proposed this year to support the Russian government is one example.

Unlike the issue of SDRs, making loans may require the IMF to persuade member countries to increase

therefore have at least some say in whether the funds are granted and made available for transfer to IMF But the money the IMF gives to countries such as Russia often does little to encourage the reforms it is

its capital from time to time. The

parliaments of member countries

intended to promote. Funds are simply handed over to the governments and are consequently often used to maintain subsidies to inefficient state enterprises, instead of eliminating them. In Russia, the IMF has concen-

trated on controlling inflation and closing the budget deficit, and - to date - has little to show for its efforts. This is because it was slow to recognise that reform requires laws to protect property, a commercial code, bankruptcy laws, accounting standards, a financial system and privatisation.

Russia is not the only failure of IMF policy. It prolonged the debt problem of the 1980s by lending additional funds to debtor countrie to maintain the fiction that the debtors were not in default. Eventually, the debts were written down.

This year, it advanced \$7.5bn to Mexico and promised an additional \$10bn if that country achieves certain stabilisation goals. Has this money helped most Mexicans? I think not. The loan has been used to intervene in the foreign exchange market and to buy up government securities. The result is that Mexico has a larger debt, while bondholders have been spared some

The IMF was set up to monitor and support a fixed exchange rate system that has disappeared. The original plan was flawed and lasted only a few years after convertibility was restored. By 1971, even the last pretence that there was a fixed exchange rate system had disappeared. A quarter century later, the IMF should disappear also.

#### Allan Meltzer

The author is professor of political economy and public policy at Carnegie Mellon University in Pittsburah and visiting scholar at the American Enterprise Instit-

### **OBSERVER**

### Dunn roaming

■ Lydia Dunn, the veteran politician and businesswoman who repeatedly stressed her intention of remaining in Hong Kong through the handover to China in July 1997 yesterday said she will actually be moving to London next January.

Besides being the only Hong Kong Chinese member of the UK's House of Lords, Baroness Dunn is senior member of the Executive Council, governor Chris Patten's top advisory group. She says she's still confident about the colony's future. So why up sticks? Family reasons - though the offer of a job on the board of the Swire Group in London won't go amiss.

Though born and schooled in Hong Kong, Baroness Dunn is considered more British than the British, But that's only half true; after all, the full title on her warrant is "Baroness Dunn of Hong Kong Island in Hong Kong and of Knightsbridge in the Royal Borough of Kensington and Chelsea". Who knows - she may be bumping into Patten again quite soon.

High-jumpers

■ Oh to be a Budapest taxi-driver or other provider of services - when the International Olympic Committee is in town, as it has been this week, deliberating on

which lucky place will host the Winter Games in 2002. The four finalists - Ostersund in Sweden, Quebec City, Salt Lake City in the US and Switzerland's Sion - have all been lobbying hard, even though IOC rules ban gifts worth more than \$200 to delegates. Salt Lake City is the favourite,

and yesterday staged a huge street festival, a downtown public park aimed at showing the world that it's possible to have a good time in Utah, despite being largely populated by Mormons, who don't much take to smoking and drinking. Salt Lake city has spent nearly \$7m on its bid - but calculates the economic benefits of getting the Olympics at \$687m. Quite a multiplier.

Far too rich

■ There was an awkward moment at yesterday's lavish Praemium Imperiale award ceremony at London's Banqueting House in Whitehall, Sir Edward Heath, master of ceremonies, was asked why it was necessary to honour outstanding achievements in the arts world by giving the five lucky winners £110,000 each.

Given that Sir Andrew Lloyd Webber, who picked up the music award, is reckoned to be worth £380m, the questioner had a point. Might not it be better to share the loot round less well-off artists? Sir Edward huffed and puffed before passing the question to Helmut

Schmidt, former German chancellor who, along with Japan's Yasuhiro countries." Nakasone and Italy's Amintore Fanfani, were there to add some class. Schmidt in turn was stumped

his Japanese paymasters. There was too much chortling over cheques for Observer to catch the mumbled response.

and passed the question to one of

Late postal delivery ■ German government ministers

are rapidly turning into antique dealers. First Klaus Kinkel, foreign minister, goes to Warsaw to persuade the Poles to hand over Mozart's manuscripts. Then Wolfgang Bötsch, minister for post and telecommunications, touches down in Riga to return 26,400 Latvian stamps - estimated worth, DM2.3m - which the Nazis filched during the second world war. The stamps turned up in the cellar of the former East German Post Museum.

Bötsch's trip was no simple philanthropy. Bonn and Moscow are still haggling over the return of priceless works of art, carted off by Soviet troops after 1945; returning the stamps is part of a scheme to breathe new life into the negotiations. For those slow on the up-take, Bötsch spelt it out: "Germany is prepared to give back cultural objects which disappeared illegally during the war. . . I hope this ceremony therefore has the necessary political effect on

recuperation talks with other

Bongo-bongo land ■ One vehicle which has eluded US trade chief Micky Kantor's hit-list of Japanese imports is Mazda's new Bongo Friendee. Just unveiled to compete in Japan's crowded but trendy sports-utility market, the vehicle features a fridge, gas cooker

and sink in its camper guise. Sales of recreational vehicles in Japan virtually doubled between 1988-93. Mazda, which is 25 per cent owned by Ford, hopes the Bongo Friendee will give it a bigger slice of that action. Can't see it as much of a challenge in the US, where Americans will probably think the Bongo Friendee is either some kind of virtual reality frisbee, or a new variety of exotic pizza.

### Chirac quivers

It seems that Australian brothels and sex shops are staging a boycott of French sex aids and French sexual terminology, in protest against President Jacques Chirac's decision to resume nuclear testing in the South Pacific.

Among the less explicit matters under revision is the term French kiss, which is to be replaced by an (as yet unspecified) Australian version. "Bondi dip" seems to be gaining ground over other

### \*Financial Times

#### Bank of NZ valuation At the annual meeting of the Bank of New Zealand, the

50 years ago

chairman, Mr Donnelly, a Government appointee, complained that the directors were not consulted before the decision to nationalise was taken. He said he had advised the Government months ago that he would resign if the State took over the bank. Rover saloon cars Following its recent decision to transfer its headquarters from Coventry to Solihull, Birmingham, the Rover Company factories are now being replanned and tooled for car production, and cars will be

leaving the assembly line in the coming autumn. Restricted production only will be possible for some time. Lord Perry's view Lord Perry, chairman of the Ford

Motor Company, said at the company's luncheon at the Dorchester Hotel in London that he did not think there would be a public demand for cars at the new prices. He thought that, so long as there was purchase tax plus car taxation, the Chancellor of the Exchequer had passed the point of the law of diminishing returns.

### Russians ready to give brutal response to brazen terrorists

Yeltsin compares Budennovsk attack to Oklahoma bomb

By Chrystia Freeland in Moscow

🕇 he open manner in which 100 gunmen drove buses into the heart of Budennovsk, a city of 100,000 in southern Russia, highlights how what was one of the most strictly-policed states in the world now risks descending into anarchy.

But the attack also exposes Russia's deep-rooted authoritar-ian impulses - impulses which have sometimes been obscured by the country's current chaos. Less than 24 hours after the

attack, armoured personnel carriers were stationed at all of the entrances to Moscow, and police and soldiers, sweating in heavy flak jackets, were guarding bridges and metro and railway stations. They were brusquely questioning all swarthy-faced passers-by on the assumption

that they might be Chechens. It is generally assumed in Moscow that the Budennovsk gunmen are fighters from the neighbouring territory of Chechnya, where Russian forces have been battling for the last six months with separatist guertil-las. In Budennovsk itself, troops yesterday exchanged fire with the gunmen who were holed up in a hospital, where according to official Russian estimates, they had imprisoned between 300 and

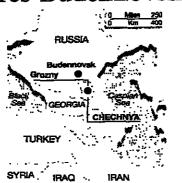
The tough armed response was echoed by tough words from the Kremlin. Mr Boris Yeltsin, the Russian president, described the

**Shelling** 

starts in

Sarajevo

Continued from Page 1



attack as "a villainous act marked by unprecedented cruelty", and vowed to "neutralise the terrorists still holding hostages in Budennovsk and redouble the campaign against their armed compatriots in separatist Chechnya.

The government's fierce reaction to the most serious terrorist attack in recent Russian history also included a swipe at western critics of the war in Chechnya. Mr Yeltsin said that Budennovsk put an end to all disputes about the nature of Mr Dzhokhar Dudayev's separatist regime in Chechnya. The Chechen rebels, Mr Yeltsin said, were merely "trigger-happy criminals" rather than defenders of "national liberation" as, he said, they have

sometimes been portrayed.

Branding the Chechens as terrorists, allows Mr Yeltsin to continue describing the action taken against them not as a war but a police operation - and to try to Although the attack on Buden-novsk has not yet inspired a broader political crackdown, there are fears that it might. "Had there not been an attack on Budennovsk, the Kremlin would have needed to invent one," said one prominent Moscow banker, who asked that his name not be used lest it sour his relations with the government. "Budennovsk could serve as a pretext to declare martial law in all of Russia, and it will certainly be the beginning of a pogrom against

A representative of the Chechen community in Moscow shared these fears. "All this means is that 'black' and 'coloured' passers-by will be stopped all the time in the streets and searched," he said. "All these new repressions will affect not only Chechens, but refugees from Georgia, Abkhazia and

the Chechens."

n Chechnya, Mr Dudayev has denied responsibility for the attack, but his spokesmen admit it could have been the work of a disobedient group of Chechen militants.

Meanwhile, Mr Yeltsin is

likely to try to turn the Budennovsk incident to his own advantage on the international stage. Senior aides said yesterday Mr Yeltsin planned to raise the issue at the G7 meeting today in Halifax, Nova Scotia, as a defence against their criticism of the military intervention in Chechnya. The foreign ministry said yes-

terday Russia was struggling against terrorism just as western governments were confronting their own terrorist threats at home. By portraying Budennovsk and, by extension, the war in Chechnya, as the Russian ver-sion of the attack in Oklahoma City and IRA terrorism in Britain, Mr Yelisin will be seeking a sort of tragic fraternity with his western counterparts.

But, while the attack on Budennovsk marks Russia's brutal initiation into the dangers of an open society, the genesis of the gun battle owes as much to the strong-armed policies to which Russia's new leadership still tends to resort.

The Chechen gunmen in Budennovsk might answer that their attack was an extension of the war being waged by Russians in their country, rather than simple terrorism. The attack on Budennovsk is a mild version of the devastation which has been wrecked on most of the towns and cities of Chechnya over the past six months.

But for the Kremlin, Budennovsk is an opportunity to argue for continuing to wage the Che-chen war with the utmost resolve. As political analysts such as Mr Zbigniew Brzezinski, a former US national security adviser, have argued since the collapse of the Soviet Union, the danger is Moscow will find it impossible to suppress rebellious ethnic groups on its periphery

and Louise Lucas in Hong Kong

The authority building Hong reneged on promises to allow freedom of movement to more than 90 UN personnel who are manning observation posts cease letting new contracts if a with the project. around Sarajevo. The Serbs are still holding another 26 UN is not settled by late peacekeepers hostage.

In Washington, Mr Bildt was joined by Mr Jacques Chirac, the French president, in urging Congress to agree to US funding for a new Anglo-French rapid reaction Mr Bildt said that if Congress did not withdraw its objections,

Chinese officials this week said they were optimistic about the chances, but there

Work on the HK\$158bn (\$20bn) airport project on reclaimed land off Lantau Island has so far been financed by equity contributions from the Hong Kong gov-

However, contributions from this source have reached their

Agreement on borrowing terms is held up by Sino-British dispute

Britain and China reached a framework agreement on financing for the airport the last November, but are still arguing over the wording of supporting documents which will enable the PAA to raise money on international debt markets.

concerns China's insistence on strict limits for debt and equity financing. That leaves insufficient flexibility for extra infusions of equity to cover any cost overruns during the airport's

Time is running out as the Legislative Council breaks for the summer recess on July 26 and the finance committee, which must pass the agreement on the support documents, sits for the last time in the current session

on July 28. If the documents are not

Beijing's approval is required because the project runs beyond 1997 when Hong Kong reverts to Chinese sovereignty. The Chinese government has been concerned will inherit a large debt bur-

Earlier this month, Mr Lu Ping, China's top official in charge of Hong Kong affairs, was reported to have told a meeting of the Preliminary Working Committee "government-inwaiting") that the two sides had just "the last few metres of the

# rally support for himself.

FT WEATHER GUIDE

Kong's new airport is running out of funds and will have to row between Britain and China over fresh financing terms

British and Hong Kong officials had hoped a speedy airport agreement would be possible in the improved climate after last week's accord on a court of final appeal for the terri-

has so far been no break-

limit and the Provisional Airports Authority (PAA) now needs

Officials say the sticking point construction.

approved before the summer

to begin borrowing to continue recess, the PAA will not have the funds, or proof of funds forthcoming, to sign up more con-

### HK airport funding crisis threatens new contracts

marathon" to go before reaching

The PAA awarded a HK\$231.7m contract yesterday to GEC (Hong Kong) for flight information display systems, the last of nine information and communication systems contracts together worth

### Courting Kleinwort

Kleinwort Benson

Share price relative to the

THE LEX COLUMN

man companies and their banks break

down, Dresdner needs to broaden its

focus, may not quite do the trick; but

it could be beefed up through invest-

Kleinwort's prospective loss of inde-

pendence may mark a pause in the restructuring of the UK merchant

hotchpotch to prove a platform for

building a global securities business;

it is more likely to be a candidate for a

Rothschild, Schroders, Smith New

Court, Cazenove and Lazard - are

dominated by families or other large

single shareholders. Moreover, each has distinctive edges in the way that Kleinwort does not. But the same

could have been said of Barings. More

This week's assault on Mr Gérard

Worms, Suez's chairman, is on the face of it a triumph for Anglo-Saxon-

style accountability in France. The tri-

ple attacks by the chairmen of UAP,

Elf and Saint-Gobain at the annual

general meeting were not only unprec-

edented, they were also framed in the

language that international fund man-

agers understand, namely the desire

to desire to maximise shareholder

Such a stance should be welcome, if

it could be taken at face value. At

least when French groups were

nationalised, chairmen could be fired

by the French President. Now, these

former civil servants, surrounded by a

kittles could yet fall.

Britain's merchant banks are falling Barings, then S.G. Warburg and now probably Kleinwort Benson, Unlike Barings and Warburg, Kleinwort has not been forced into merger talks out of desperation. Even so, the writing was on the wall.

Kleinwort is a middle-sized investment bank with little distinctive edge. As larger rivals build global securities distribution networks, it could find itself squeezed. It is sensible to do a deal now, while its finances are in

reasonable shape.

Dresdner looks a good match.
Though the culture clash could be massive, there will be little overlap and little blood-letting. Dresdner also seems likely to use Kleinwort as the heart of its investment banking strategy - ramming home just how poor are Frankfurt's prospects for challenging London as Europe's leading finan-

The putative film price-tag is fair but not outstanding. If Kleinwort's investment management operations are valued at 21/2 per cent of funds under management, the investment banking business comes in at a 20 per cent premium to net assets. That is more than Swiss Bank Corporation paid for Warburg, but then again Kleinwort is not falling apart in the

way Warburg was.. A bidding auction is unlikely. After seeing morale at Warburg collapse after its failed merger talks with Morgan Stanley, Kleinwort has every incentive to cement this relationship fast. Meanwhile, other possible buyers such as ABN-Amro or NatWest are unlikely to bid, because the overlap with their existing businesses would

From Dresdner's perspective, the proposal shows that the innovative, progressive bankers on its board are gaining ascendancy over the backwoodsmen. Though the bank's dominant personality is stodgy and bureau-cratic, it is also crafty - nimbly avoiding the debacles which have dogged Deutsche Bank in recent years. Moreover, Dresdner has been adept in recruiting talented capital markets professionals, winning a good reputation in derivatives and international capital market transactions, notably its own pioneering global share offer-

Dresdner's move is partly a belated, copy-cat reaction to Deutsche Bank's acquisition of Morgan Grenfell five years ago. But it has some logic. As traditional relationships between Gerboard of friends, are almost impossible to dismiss. Alcatel-Alsthom's market capitalisation halved in 18 months before management was changed. The present system is untenable.

Norgeskredi

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Kesto Alegera

The problem is that the triumvi-rate's demunciation of Mr Worms has far more to do with their old-fashioned ambitions to work with BNP in carving up Mr Worms' ailing empire, than any genuine concern to enhance shareholder value. BNP's recent shoddy treatment of minority share holders at CIP demonstrates its true attitude to shareholder value. Change will come from without, rather than within, the system. Non-French shareholders own an increasing proportion of the market. For some companies, more than half of the shares not held in noyoux durs are now owned by foreign institutions.

#### UK electricity

product range, Kleinwort, with its UK The Monopolies and Mergers Commission's report on Scottish Hydro-Electric is an embarrassment for the industry regulator as he completes his review of regional electricity companies' price controls. The MMC's pragbanking sector. Though Hambros could be acquired, it is too much of a matic treatment of Scottish Hydro car ries an implicit rejection of Professor Stephen Littlechild's academic approach. But the differences are apparent in the detail rather than the break-up bid. The other merchant banks or brokers - Robert Fleming, broad conclusion. This does not mean the report is good news for the recs. The MMC's methodology still leaves the regulator plenty of room to enforce price cuts. The MMC's recommendation, if implemented, will boost Scottish Hydro's profits by £22m over five years, according to the company That may encourage any recs which do not like the regulator's new pricing regime, when it is announced nex month to seek a referral.

This could further damage share prices in the short run. Recs currently appear undervalued - assuming a payout to shareholders following the planned flotation of the National Grid. But an MMC referral would probably delay flotation until the end of next year. Consequently, there is little reason to buy shares either ahead of the review or during the current spate of results. Investors expecting other recs to follow Seeboard's example of offering a package of benefits for shareholders and customers are likely to be disappointed. Most are keen to avoid doing anything which would further convince the regulator of their ability to implement substantial price

Which environmental company has just announced a 7.2% increase in efficiency in its core business over the last year?

For the full picture, see Companies & Markets

#### **Europe today**

there will be "rejoicing in Pale'

(the Bosnian Serb capital) and

even less chance of starting a

Mr Bildt said the resumption of

direct negotiations with the Bos-nian Serbs, as proposed in the US

this week by former President Jimmy Carter, was not "the pre-

ferred option". But he said that

differences within the contact

group - the US, UK, France, Ger-

many and Russia - over how to

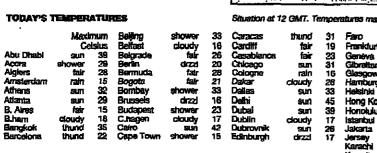
handle Bosnia were merely

peace dialogue.

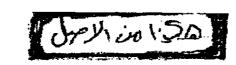
Cloud, scattered rain and showers are forecast for north-western Europe. These regions will be cool, with afternoon temperatures below 16C. Meanwhile conditions in the UK will be generally dry, except for the north-west where a new depression will bring cloud and drizzle. Southern France and Spain will have sunshine. However, there will be afternoon thunder in north-eastern Spain. There will eastern and eastern Europe, interspersed with sunshine. Maximum temperatures will too 20C. Central Europe will have cloud, light rain and temperatures around 20C.

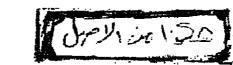
#### Five-day forecast

A cold front with cloud and rain will cross the UK on Saturday and will flow into the will have sunshine, afternoon temperatures rising to about 20C. Scattered cloud and thunder showers are forecast for eastern and south-eastern Europa. An area of low pressure will mean strengthening winds over southern Scandianvia.



29 11 28 25 17 28 34 22 19 15 26 35 24 7 19 23 12 27 10 35 18 Frankfurt Genévia Görnétor Glasgow Harnburg Heng Kong Heng Kong Henokulu Istanbul Jakarta Jerssy Karachi Kuwait L. Angeles Las Palmas Lima Lisbon London Locurg Lyon Madéira Majorca Maita Manchester Manchester Marile Mexico City Miami Milan Montreal Moscow Munich Nairobi Nagoles Nessau New York Nicosia Osio Paris Perth shower fair fair rain shower cloudy faur cloudy rain shower sun cloudy rain shower shower shower fair fair Lufthansa







### **FINANCIAL TIMES**

Friday June 16 1995 CITHE FINANCIAL TIMES LIMITED 1995

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### Norgeskreditt bid battle intensifies

The battle for control of Norgeskreditt, the Norwegian financial services group, intensified as two competing banks increased their bids for the company. Page 18

**Pollar holds back Ahold** The dollar's decline limited the rise in net profit at Ahold, the Netherlands-based food retailer, to 8.4 per cent in the first quarter. Page 18

Euro Disney cautious on theme park Euro Disney, the troubled leisure group, is waiting to see whether the summer season will bring an increase in attendance at the Disneyland Paris theme park after its recent announcement of a fall in interim losses. Page 18

Pharmaceuticals on the move Until the 1990s, drugs companies were, on the

whole, content to provide drugs, which account for about 20 per cent of costs. This decade has seen pressure from governments and insurance companies keen to control health costs. The pharmaceuticals industry has responded by moving into the other 80 per cent of the market. Page 19

Microsoft plans games venture Microsoft, the world's leading personal computer software developer, is planning a joint venture to develop and market computer games with Softbank Japan's largest software distributor. Page 20

Argentine car sector runs hot and cold If a nation's car industry is the thermometer of its economic health, then Argentina appears to be chilled and flushed at the same time. As domestic sales have plummeted - by 38 per cent in the first five months - multinationals have pledged to invest \$3bn in new plant over the next five years. Page 20

PowerGen expands in North Sea PowerGen, the electricity generation company, has agreed to buy a package of North Sea gas assets from the UK energy business of Oryx, the debtladen Dallas-based oil explorer, for \$120m. Page 21

Shiva buys UK computer group Spider Systems, the unquoted Scottish company that is a European leader in computer networking systems, has been acquired by Shiva Corporation of the US, in an all-share deal worth about \$80m. Page



Casino operators in the UK are betting on deregulatory moves which could expand business and profits. In a government consultation paper expected soon, casinos hope to be allowed to serve drinks ght, given they can stay open unti and to be given some leeway on advertising.

18 Kenya Airways

19 Renault

20 Saint Gobain

Sandob

Softbank

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Shiva Corporat Sikorsky

Sparebanken Nor

Yamato Transport

FT-SE Actuaries indices

London share service

New Intl bond issues

Short-term intrates

New York share service

Foreign exchange Ghis prices

American Airlines	19	Matra
Apple	20	Merrill Lynch
Bell	4	Metsa-Seria
Bezec	17	Microsoft
Boeing	4	Mitsubishi
British Telecom	4	Motorola
Cable and Wireless	17	Norgeskreditt
Caspian	4	Ontario Hydro
Cathay Pacific	- 4	Pechiney
Christiania Bank	18	Pirelli
Chrysler	20	PriceCostco
Cladea	20	Cantas
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Companies in this issue

Coca-Cola Amati Coles Myer Cyprus Ámax Du Pont de N Euro Disney

Ford GEC

Market Statistics Annual renorts service

Benchmark Govt bonds Bond futures and options Bond prices and yields roditles prices EMS currency rates Eurobond prices FT Gold Mines Index FT/ISMA intl band svo

Chief price changes yesterday

**COMPANIES & MARKETS** 

### Plan to pool assets will strengthen the hand of Worms and help stave off takeovers Suez, SGB may form joint group

Suez and its subsidiary, Société Générale de Bel-gique (SGB), said vesterday gique (SGB), said yesterday they were considering forming a joint company. The move could help the management of the French holding company stave off a takeover from some of its dissatisfied French shareholders.

Suez in Paris and SGB in Brussels said the aim was not to merge fully the two holding groups, but for them to keep their different national identities and legal status. They would pool their assets "under a single logo and management" to create a

more coherent strategy.
Suez and the SGB subsidiary said the joint company plan had been under discussion for some months. They said it was not designed as an alternative to two other options on which the Suez board is deadlocked.

At Suez's annual meeting on Wednesday, shareholders backed the earlier idea of Suez linking up with Banque Nationale de Paris (BNP) and Union des Assurances de Paris (UAP) to form a large financial conglomerate. This effectively blocked the rival plan of Mr Gérard Worms, Suez chairman, to join up with Pinault Printemps Redoute (PPR), the French retailing group.

At the meeting, Mr Jacques
Friedmann, president of UAP.

criticised Mr Worms's management. Mr Friedmann, backed by the heads of the Elf Aquitaine oil group and the Saint Gobain glass and industrial group, forced through a restriction on Mr

Worms's power to issue shares for use in any equity exchange with a company such as Pinault. These three companies and BNP, their ally, hold 22 per cent of Suez's capital and nearly 30 per cent of its votes - enough to block resolutions at any meeting not attended by all shareholders.

However, Mr Worms has a numerical majority among board members. Asked by a share-holder why he did not resign, he said he did not intend doing so while he still had the board behind him. The largest shareholders do not have the numbers on the board to enforce their will on Mr Worms and his supporters, but they have the share power to prevent the Suez management putting any of its schemes into practice.

If the plan for a Suez-SGB joint

company came to pass, it would strengthen Mr Worms's hand. Viscount Etienne Davignon, SGB president, and Mr Gérard Mes-trallet, chief executive, are among Mr Worms's supporters on the Suez board. One idea is that Mr Mestrallet manage the joint company.
Suez and SGB likened their

plan for a joint company to the structure of ABB, the Swiss-Swedish engineering group, or to Fortis, an insurance joint venture between AG of Belgium, controlled by Mr Maurice Lippens who is the second largest shareholder in SGB behind Suez, and Amey of the Netherlands. In the Suez-SGB venture, it is not clear whether the balance

Suez, or whether Suez's control of SGB would be severed to give the Belgian company a more equal status. According to the Nouvel Observateur magazine which yesterday broke the news of the Franco-Belgian discussions, Suez might distribute its stake in SGB among its shareholders or sell it on the market. A more independent status for SGB would be welcomed in Belgium, where the holding company, dating back to 1822 or eight

would reflect the fact that Suez holds 62 per cent of SGB while

the latter has only 1.5 per cent of

country, is a national symbol. The 1988 takeover battle for SGB saw Suez outbid Mr Carlo De Benedetti, the Italian magnate, and stirred some xenophobic resentment in Belgium. The irony of the French parent company effectively calling on the Belgian subsidiary to rescue it

would be savoured in Belgium. SGB said the possible joint company would remove the criticism that the present Suez-SGB structure was "a cascade of holdings", giving rise to a big discount on their shares. The current market capitalisation of

while SGB is the equivalent of FFr22bn. SGB said the plan would create

"a more visible and transparent structure".

On Wednesday, Mr Worms claimed that after spending the past four years cleaning up the balance sheets of Suez and its SGB subsidiary, the prospects this year were much better for most parts of the Suez group, except its Indosuez banking sub-

> David Buchan and Andrew Jack

### glass unit to Saint Gobain By David Buchan in Paris

Saint Gobain, the French glass and industrial group, may buy Pechiney's glass container business in the US, said Mr Jean-Pierre Rodier, Pechiney's presi-

He told a shareholders' meeting of Pechiney International, the publicly-quoted packaging subsidiary of the state-controlled Pechiney group, that Saint Gobain was one of several com-panies looking at buying the US glass container business which made sales of FFr3.6bn (\$700m) last year. He said he would refrain from further comment 'until the deal is done".

To prepare Pechiney for privatisation. Mr Rodier planned assets sales of around FFr9bn by the end of 1996 to reduce debt and return to the core aluminium and packaging business. In addition to the possible

glass sale to Saint Gobain, Pechiney International has just agreed to sell its US metal food container business to Silgan of the US, and has put its Howmet turbine motor business up for sale. However, Pechiney International is keeping its beverage can business in the US where it is the market leader.

The company reported a FFr4.5bn loss last year mainly because of large writedowns of previous acquisitions.

Turnover rose 2 per cent last year to FFr35bn, but the value of Pechiney International's sales in the first quarter of this year was pushed down 2 per cent by the weak dollar.

Mr Rodier addressed shareholder anxiety about poor share performance by saying that his priority was to reduce Pechiney International's "very heavy indebtedness, which could endanger the company if it persists". Pechiney International has debts of FFr13.9bn and own funds of FFr9.2bn. The programme of asset sales is designed to reverse this.

Mr Jean Gandois, who now heads the French employers federation, sought diversification believing that the company's main activity of making aluminium was too risky and too cycli-

Mr Rodier is reversing this strategy by keeping only the most profitable parts of packaging, and refocusing on the aluminium business. This paid off in the first quarter when aluminium sales rose 35 per cent,

# Net profit/loss

### Israel fears Takeover talk lifts UK broker damage to telecom offering

Cable and Wireless, the UK raised its stake in Bezeq, Israel's state-owned telecommunications company, from 7 to 10 per cent in an attempt to become a strategic partner. The move is viewed with con-

cern in the Israeli Treasury and by Merrill Lynch and Morgan Stanley, the investment banks leading the global offering of 25 per cent of Bezeq's shares, which believe C&W's buying threatens the privatisation process.

Government officials and

bankers say C&W's share pur-chases could damage the global offering, due in August, and is a backdoor effort by the company to force itself on Bezeq as the strategic partner.

They say the C&W stake makes a competitive tender for a strategic partner impossible. They have successfully preempted the process in spite of the stated policy of the govern-ment," a banker said.

"They have made sure that there will be no level playing field for the strategic stakeholder and the process will not necessarily result in the highest price or the most suitable part-

But it remains clear C&W has een operating with co-operation from Bezeq and some sections of the Israeli government. C&W said it had raised its

stake from 7.01 per cent, which it brought for £63m in April, to 10.02 per cent. It said it wanted to use the Bezeq stake as a foothold towards expansion in the region. "We will continue to build our contacts in Israel. We are looking for strategic partnership as a minority shareholder." C&W has an estimated investment in the company of between \$140m-\$150m.

C&W's purchases have pushed Bezeq's share price up 66.6 per cent from Shk4.85 before the April buy-in to yesterday's close of Shks.0s. Some 25 per cent of Bezeq shares are traded on the Tel Aviv Stock Exchange. Treasury officials said the UK

group's move will send negative

signals to top-ranking telecommunications companies such as AT&T, British Telecom and Deutsche Telecomm who might have been interested in bidding for the strategic partnership which will follow the global offering. They fear C&W could dump its stake, damaging the share price. According to a Treasury official, the government is considering legislation to block future backdoor attempts at strategic partnerships with other Israeli public companies schednied to make local or global offerings. "This is in reaction to the Cable and Wireless buy-in."

#### Smith New Court shares advance despite sharp decline in earnings

By Patrick Harverson in London

Shares in Smith New Court, the equities marketmaker and broker, rose 21p to 438p yesterday despite a sharp fall in the firm's annual profits. The shares were driven by the

news that Kleinwort Benson, the merchant bank, had received a takeover offer from Dresdner Bank of Germany. If the offer is tea. Kieinwo third prominent UK institution, after Barings and S.G. Warburg, to lose its independence this year, and industry observers believe Smith could be the next to be bought by a big European bank.

"I think there is certainly a chance of a takeover in the next few years," said one analyst. He warned it was difficult to make comparisons between Smith and merchant banks such as Warburg, Barings and Kleinwort.

"It's a very different business. It's kets. He said market conditions

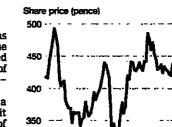
a more focused, distribution-type business whereas continental banks are more interested in the corporate advisory and fund management areas.

Mr Michael Marks, Smith's chairman, said the firm was not remarked Smith's senior executives would be "burying our heads in the sand" if they did not recognise that consolidation of the global investment banking and securities industry was gath-

ering pace.
Smith was the latest UK firm to announce a large drop in annual profits. Mr Marks blamed the fall in pre-tax profits from £95.2m to £31.2m (\$48.98m) for the year to April 28 on low trading volumes and volatile stock marwere particularly hostile in the second half, although he claimed the firm made a profit on all of its product lines except one -Japanese equities. Smith does not provide a

breakdown of its earnings, but it income taken up by fees and commissions rose from 52 per cent to 59 per cent, with the remainder derived from marketmaking activities. There was also a small rise to 58 per cent in the share of income from non-UK

Return on capital was 13.6 per cent, and earnings per share were 22.2p, against 70.2p. A final dividend of 9p was recommended, taking the total to 11p (10p). Mr Derek Keys, the former



Smith New Court

1994 Source: FT Graphite

South African finance minister. has been appointed a non-executive director. His appointment comes a few days before Smith reinforces its tles to South Africa by signing an agreement to buy a majority share in Davis Borkum Hare, the Johannesburg broker.

### Merrill Lynch to direct Telefónica global offering

Merrill Lynch, the US investment bank, has won the mandate to co-ordinate an offering of govern-Spanish telecommunications operator, that is expected to raise about \$1.5bn. The bank took the lead global issuer role in this month's \$936m partial privatisation of Portugal's telecoms

Merrill Lynch is active on Spain's capital markets but its appointment to direct the Telefónica issue marks its first involvement as leader of a global offering by a domestic company. Global co-ordinator roles in Spain have been conducted by Goldman Sachs and Morgan Stanley, rival US institutions.

Merrill Lynch strengthened its corporate finance team in Madrid last year when it hired Mr Claudio Aguirre from Goldman Sachs, to be its local chief execu-

Banco Bilbao Vizcava. Argentaria, the government-controlled banking group, and La Caixa, the Barcelona-based savings bank will join Merrill Lynch as coglobal co-ordinators. The three banks are core shareholders of Telefónica and own 8.5 per cent of its shares between them.

The Patrimonio del Estado, the government portfolio company which is reducing its Telefónica stake, is understood to believe that the decision to award Merrill Lynch the issuer role reflects concern about potential conflicts of interests among investment banks operating in telecom privatications. They said the "beauty contest"

to become Telefónica's global co-ordinator had been coloured the Spanish company's offering and one by KPN, the Dutch government's operator, which is also scheduled for after the summer.

Goldman Sachs, which in 1987 took Telefonica to the New York Stock Exchange and which has acted as global co-ordinator for disposals by Endesa, the government's power generator, and by Repsol, the state's oil and gas group, was deemed to have had a conflict of interest because it was last week appointed adviser to

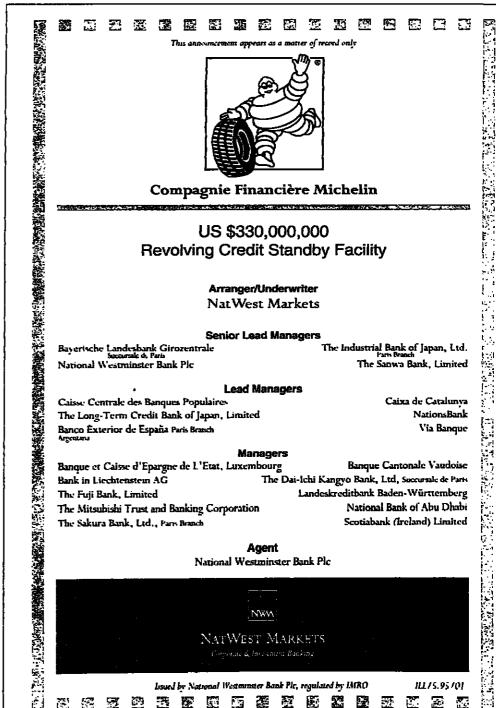
Morgan Stanley, which was global co-ordinator in the partial years ago, was also barred from a role in the Telefónica issue because it will be the lead manager in the US tranche of the KPN offering.

Merrill Lynch will be global

co-ordinator for the issues of Israeli operator Bezeq and of Indonesia's PT Telekon which are due in the last quarter of this year. However, these disposals are not viewed as conflicting with the Telefónica sale becaus of their position outside Europe. In the Telefonnica offering, the Spanish government is reducing its stake from 32 per cent to 12 per cent. The KPN offering involves the sale of 30 per cent of the Dutch government's stock

and is expected to raise \$4bn. The timing of these offerings is important; both have indicated they will tap the markets in September or October but it is uncertain which of the two operators will have the first call on inves-

Telefónica and KPN are fellow partners in Unisource, the consortium which groups the Swed-



### INTERNATIONAL COMPANIES AND FINANCE

back in

The dollar's decline limited

the rise in net profit at Ahold,

the big Netherlands-based

food retailer, to 8.4 per

cent in the first quarter of

Net profit rose to Fl 119.6m

(\$76.49m) from Fl 110.3m, on

### Norgeskreditt bidding war hots up Low dollar holds Ahold Euro Disney cautious on were unchanged. Christiania, the 9 per cent held by Ves- itself during Norway's bank holds Ahold

By Karen Fossli in Oslo

The battle for control of Norgeskreditt Holding, the Norwegian financial services group, intensified yesterday when two competing banks increased their bids for the company.

On Wednesday, Sparebanken Nor submitted a bid of NKr220 per preference share, which was NKr20 higher than the offer submitted by Christiania Bank on Monday.

Sparebanken Nor's move forced Christiania yesterday to raise its offer to NKr225 per preference share. Its new bid was quickly matched by Spare-

Sparebanken Nor's new bid would rise to 38 per cent from

ply Ships, Norgeskreditt's second-largest shareholder, was committed to selling the bank its 8.91 per cent preference shareholding. This, it said, "implies that the bank already controls 11.45 per cent of Nor-geskreditt Holding".

The main attraction for the banks is Norgeskreditt's estimated NKr20bn (\$3.2bn) first priority. low-risk, long-term mortgage loan portfolio to corporate institutions in the greater Oslo region. Norgeskreditt has estimated combined assets of more than NKr30bn.

If Christiania wins, the bank's market share in the cor-The terms and conditions of porate mortgage lending sector en-based subsidiary.

The prize would make Christiania a market leader in this Mr Ludvik Sandnes, Christi-

ania's chief financial officer, said the bank's fresh bid still made the acquisition good For Sparebanken Nor, the acquisition of Norgeskreditt would double the savings

bank's corporate mortgage

lending portfolio to more than

NKr40bn in the region. Mr Karl-Olav Hovden, group director at Sparebanken Nor, said the savings bank was also interested in the expertise of Norgeskreditt's management. "This management proved

were unchanged. Christiania, the 9 per cent held by Veshitself during Norway's bank however, said that Viking Suptenties Bykreditt, its Bergeric crisis," he said.

During Norway's five-year bank crisis. Norgeskreditt was one of a few domestic finance institutions which did not suffer heavy losses and thus was not forced to call on the government for funds to save it from collapse.

The two banks' moves on Norgeskreditt yesterday sent the Oslo bourse All-Share index soaring to an all-time high of 688.9 points in turnover of NKr1.1bn. Norgeskreditt's shares advanced NKr6 to NKr227, Christiania's rose NKr0.50 to NKr13.60 while Sparebanken Nor's primary capital certificates, a hybrid

sales down slightly at Fl 8.5bn from Fi 8.6bn. The company, which owns five supermarket chains in the eastern US, said profit would have increased by 15.7 per cent if it had not been for the sharp drop in the dollar, which was worth an average

> with Fl 1.93 in early 1994. If turnover were adjusted for the translation effect of the lower dollar, group sales would have risen by 7.9 per cent, Ahold

FI 1.64 in early 1995, compared

The company's five US chains generate about half of group turnover.

In the Netherlands, where Ahold's Albert Heijn supermarket chain is the market leader, operating results rose by 10 per cent to Fl 119.7m.

US operating results showed an improvement of 11.7 per cent at \$56.4m, while operating profit in Europe outside the Netherlands increased by 32.1 per cent to Fl 21.4m.

Ahold is active in Portugal, where operating results showed further gains, and in the Czech Republic, where the company stood roughly at break-even point after registering losses in the same

The group also recently announced an acquisition in Poland in partner-ship with Alikauf of Ger-

Of Ahold's five US chains, four posted higher operating results. The fifth, Tops, based in upstate New York, has been hampered partly by the weakness of the Canadian dollar against the US currency, which has led some consumers to do their food shopping north of the

### prospects for full year By Alice Rawsthorn in London has suffered a series of finan-

Euro Disney, the troubled leisure group, is waiting anxiously to see whether the summer season will herald an increase in attendance at the Disneyland Paris theme park after its recent announcement of a fall in interim losses.

Mr Philippe Bourguignon, chairman, has warned shareholders that he remained "very cautious" about prospects for the full financial year following April's news that it had cut losses for the six months to March 31 to FFr241m (\$49.15m) from FFr1.06bn in the same period of the preceding year. The steep decline in the

cial setbacks since the opening of its theme park in 1992, was partly due to increases in attendance and hotel occupancy at Disneyland Paris. However, the main factor was a sharp reduction in financial costs, such as lease rental

expenses, negotiated last spring as part of Euro Disney's financial rescue package. There was also a reduction in management and royalty fees to Walt Disney, its US parent. Mr Bourguignon stressed in his interim report to shareholders that it was "too soon" to predict the likely outcome for the full financial year as there had become more efficient at managing the theme park during the slack winter season But he said the company had not detected "the effects of a real upturn in consumption"...

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Analysts expect the company to break even this year. Ms Rebecca Winnington Ingrain European leisure analyst at Morgan Stanley in London, forecast modest profits of FFr47m for the year to September 30 with similar profits of FFr51m for next year.

However, Disneyland Paris faces stiff competition from and Spain. Euro Disney has responded by launching a new FFr600m Space Mountain ride.

### Metsä-Serla targets Kyro forestry arm

Metsä-Serla, the Finnish pulp and paper group, yesterday launched an agreed bid worth estry businesses of Kyro, a Finnish board producer.

It also predicted that full-year profits would be at least double last year's FM786m after unveiling four-month figures that were well ahead of market forecasts.

The addition of Kyro's paperboard businesses would lift Metsä-Serla's white board production capacity to 520,000 of a FM3.6bn investment progroup's sawmill businesses tonnes a year and make it gramme, and in March it helped produce extraordinary

Europe's third-largest producer of boxboard, wallpaper baseboard and graphic boards.

Kyro has a capacity of 210,000 tonnes a year and last year achieved operating profits FM68m on turnover of FM723m. The deal will be partly funded by shares.

It is a further expansion by Metsä-Serla and continues the restructuring of the Finnish forestry sector after the merger of Enso-Gutzeit and Veitsiluoto announced last month.

Metsä-Serla is already increasing its pulp and coated fine paper production as part stake in its Metsā-Botnia pulp associate. The company is itself viewed as a potential bid target as the smallest of Finland's four big forestry groups.

Metsä-Serla's four-month profit after financial items surged to FM607m from FM135m as strong demand, rising prices and exchange rate gains more than offset the impact of the stronger markka on turnover.

Operating profits rose to FM586m from FM208m as turnover climbed to FM4bn from FM2.9bn. The sale of the

moved to take a controlling income of FM230m, lifting from FM128m.

"Demand for all products has continued to rise, and all manufacturing capacity has been in use. The growth in demand for magazine papers has been particularly strong," the company said.

It said demand for coated magazine paper was up 25 per cent from a year ago, and added that further price rises for the grade were expected in the second half. It predicted full-year turnover of "well over" FM13bn, after last year's FM9.5bn. The shares eased

### Suchard defends its actions at Figaro

**By Vincent Boland** 

Kraft Jacobs Suchard, the Swiss foods group, yesterday launched a strong defence of its actions at Figaro, the Slovak chocolate maker in which it has a two thirds stake. This was ahead of a showdown today with minority shareholders who have accused it of abusing their rights.

Minority shareholders in Figaro, led by Prague Capital Partners, a Czech investment firm, and Wyser-Pratte & Co, a US fund manager, have called an extraordinary general meeting for today to demand explanations from Suchard about a collapse in profits at Figaro in 1993 and a subsequent sharp

fall in its share price. Suchard, a subsidiary of Philip Morris, the US tobacco and foods group, said it intended to defend itself "vigorously" and rejected charges that it channelled sales of Figare products through its own subsidiaries, depressing profits at the Slovak company.

But Mr Bernhard Huber, area director for central Europe of Kraft Jacobs Suchard, admitted that some of the complaints made by minority shareholders were valid. "We do owe them answers to a cer-

SKr30m

tain degree." he acknowledged. Suchard paid \$20.3m for 66.7

per cent of Figaro in September 1992. Following a capital increase during 1993 Figaro published a prospectus in which its projected profits for the year were stated at SKr130m (\$17.96m). When it subsequently reported full-year results, profits had shrunk to

Figaro's share price has tumbled 80 per cent in the past 12 months from its high in early 1994. Mr Huber insisted the share price movements were unrelated to Figaro's profit performance and that the fall was in line with a general

trend in Slovak share prices. The dissident shareholders, who control almost 12 per cent of Figaro, say the profits were depressed by selling Figaro products abroad through other Suchard subsidiaries, prevent-

ing Figaro from enjoying higher margins. Mr Huber said the profits collapse was caused by "service charges" incurred by Figaro on the split of the Czechoslovak federation at the beginning of 1993. He insisted the charges, which were not disclosed in the prospectus, were "in compliance with all regulations" under Slovakia's

### Sandoz sets Clariant float price

was "still insufficient clarity

about the summer months".

By Daniel Green in London

Sandoz, the Swiss pharmaceuticals company, yesterday set the share price for its special-ity arm, Clariant, which it is floating on the Zurich bourse. The price range, of SFr360 to SFr410, would give Clariant a market capitalisation of about

SFr1.5bn (\$1.3bn). Gross proceeds before commissions and expenses should be between SFr2.12bn and SFr2.39bn. Clariant will be floated with SF7750m of debt. Sandoz said it would today start bookbuilding, a process which identifies institutional investors prepared to buy the A definite offer price will be announced on June 26. During the following two days there will be a Swiss public offer. Sandoz announced in March that it would demerge its

industrial chemicals division to concentrate on its core drugs and nutrition businesses. Clariant makes dyes and chemicals for textiles, leather and paper, as well as pigments and additives and the so-called masterbatches for colouring

plastics and synthetic fibres. Operating profits last year were SFr214m on sales of SFr2.33bn. Mr Rolf Schweitzer, chief executive of Sandoz, will be Clariant's chairman, and Mr Martin Syz, current head of the

chemicals division, will be chief executive.

Sandoz wants Clariant shares to be quoted in Zurich and traded on the London Stock Exchange's SEAQ Inter-

national system. In an effort to make the shares acceptable to international investors, there will be no voting or ownership restrictions. Sandoz registered shares fell SF12 to SF1763 yesterday while the bearer shares rose SF13 to SF1772.

A free distribution of Clariant shares to Sandoz shareholders was ruled out as it ject to a 35 per cent Swiss with-

### Czech oil refineries deal near

and a consortium of large western oil companies have agreed a draft proposal which would transfer a 49 per cent stake in the country's two big oil refineries to the western group,

Renter reports from Prague. Executives at International Oil Companies consortium and the full Czech cabinet must now give final approval. The Czech government is expected

to consider the plan next week. The original purchase price offered by the consortium last

awarded the consortium exclusive rights to negotiate for a 49 per cent stake in Unipetrol, a new holding company for the Kaucuk and Chemopetrol refi-

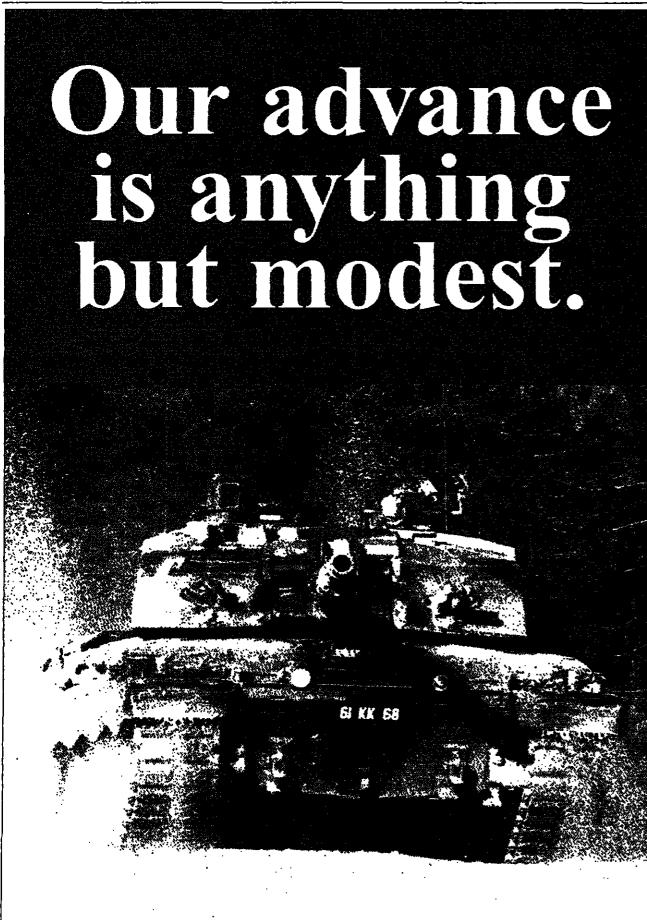
neries. The Czech industry and trade ministry said the assets price was "a little bit" higher than the original offer but did not elaborate on the agreed

The IOC comprises Agip of Italy, Royal Dutch/Shell, Total of France, and US-based Con-

said that if a framework agreement had not been reached by June 30, then the IOC would lose its exclusive right to negotiate for the stake.

In its first bid last year. which was rejected by the government, the IOC had also pledged to invest \$520m to modernise the refineries.

The full cabinet at the time voted to take a "Czech only" way to finance modernisation of the ageing facilities, but changed tack last autumn and



Project Management: Last summer the National Audit Office cited Challenger 2 as one of the MoD's three major equipment orders on time and on budget.

The Vickers group consists of over twenty companies with one thing in common. All are quality brand names and market leaders. Take Vickers Defence Systems and Rolls-Royce Motor Cars for instance.

Landing the entire order to re-equip the British Army with the Challenger 2 Main Battle Tank is something Vickers Defence Systems is proud of. Developing the Challenger 2 was particularly satisfying against stringent requirements in design, performance and project management in the face of fierce international

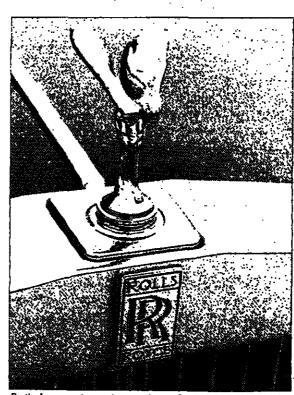
With an order book worth in excess of £1.5 billion (11 times the division's 1994 turnover), Vickers Defence Systems can look to the future with confidence.

Another Vickers P.L.C. company that is securing its future is Rolls-Royce Motor Cars.

Two years ago, losses were turned around as management and workforce rose to the challenge of revolutionising working practices to create a leaner company with a substantially reduced break even point.

Add this to the recent collaborative engineering and supply arrangement with BMW and it's easy to see that the company is well placed for medium and long term advancement.

Last year, the automotive grouping of which Rolls-Royce Motor Cars is a key part, doubled its profits to £21 million.



All Vickers P.L.C. companies continue to reduce their cost bases significantly. They're leaner, fitter and run under a common leadership style of participative management.

They share a common goal, working together and encouraging participation to ensure constant improvement for shareholders, both now-

Our aim is to ensure that the advance of our group of market leaders continues to be anything but modest.



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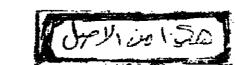
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Ras and Generali take 10.2% stake in Pirelli & C Ras and Generali, two of Italy's biggest

**NEWS DIGEST** 

insurance companies, have bought shares in Pirelli & C, the investment company which indirectly controls the quoted manufacturer of tyres and cables, writes Andrew Hill in Milan.
The two companies bought most of the 10.2 per cent stake in Pirelli & C which belongs to GIM and SMI, the Italian metals groups controlled by the Orlando family, for L42bn (\$25,6m).

The operation keeps the shares within the tight-knit group of Italian financial and industrial companies known as the "salotto buono" (literally, good drawing room), which are the traditional allies of Mediobanca, the Milan merchant bank.

GIM and SMI, which are raising money to reduce accumulated debt of L1,532bn, said they had sold 11.6m shares to Generali and 2.52m to Ras. The Orlando groups' stake in Pirelli & C will fall to about 2 per cent after a capital-rais-

ing exercise by the investment company.

Ras said that it would join the shareholder syndicate which controls Pirelli & C. The Ras stake will be 3 per cent after the capital

#### Kvaerner and Du Pont in development deal

Kvaerner, the Norwegian shipbuilding, engineering and oil and gas technology group, and Du Pont of the US, have announced plans to collaborate on the development of composite materials for the shipbuilding and offshore oil and gas industry, writes Karen Fossli

Kvaerner ranks as one of Europe's major maritime technology specialists while Du Pont, one of the world's largest industrial groups, is a leader in materials technology.

The two companies said the first result of the deal was likely to be the development from composite materials of protective structures for subsea oil and gas production systems at Kvaerner's yard in Mandal, Norway. Other projects expected to get quickly under

way include other products for the oil and gas industry such as carbon tethers which form part of the anchoring systems for floating production systems.

#### Sita launches virtual private telecoms service

Competition for the international telecommunications business of multinational organisations continues to intensify, writes Alan Cane in London. Sita, the group which provides telecoms services for the world's airlines together with a number of commercial customers has announced a virtual private network (VPN) service.

The Sita initiative, Global Voice Service, will be competition for Concert, owned by British

Telecommunications and MCI of the US, and AT&T's WorldPartners.

VPNs provide advanced communications features usually only available over expensive leased line networks at the cost of using the public switched network. They are made possible by intelligent switches which offer private numbering plans, calling line identity, call screening and barring, and authorisation codes among other features.

#### Coca-Cola Amatil sees halftime profits rise

Coca-Cola Amatil, the Australian-based beverage company, said yesterday that it expected to see increased profits at both the trading and after-tax levels in the six months to end-June, because of "volume growth, operational effi-ciencies, price increases and package mix changes", writes Nikki Talt. In the same period a year ago, net profit after tax was A\$40.1m (US\$28.9m).

The profits forecast was contained in CCA's prospectus for its A\$670m rights issue, lodged with the Australian Securities Commission vesterday. This also confirmed that Coca-Cola. the Atlanta-based soft drinks group, would cut its stake in CCA to a maximum of 43 per cent by only taking up 35 per cent of the shares to which it is entitled. At the last year-end, it held about 50 per cent.

The balance of Cocn-Cola's rights issue shares is to be sold to domestic and international institutions.

#### Australian wholesaler makes cross-state bid

Coles Myer, Australia's largest retailer, yesterday declined to comment on a surprise bid by QIW, the Queensland-based wholesaler and retailer, for Composite Buyers in Victoria, writes Nikki Tait. Coles holds 19.9 per cent of Composite. QIW is offering five of its own shares for every six Composite held, valuing the target company at about A\$70m

QIW said that the merger would "create a powerful independent force in food distribution throughout Australia's eastern states. It noted that QIW was the largest food distributor in Queensland and Composite the biggest

The bid comes only two weeks after the Trade Practices Commission ruled that Davids Holdings, another wholesale distribution company, could merge with Composite. However, Davids has said it will not bid for Composite until the expiry of the commission's appeal

Meanwhile, Perth-based Resources & Indus-try, although capitalised at only A\$18m, has also announced plans to bid for Composite.

### AA drops London flight

American Airlines is stopping its service between London's Gatwick airport and Nash-ville after running up substantial losses on the route since May last year, writes Michael Ska-pinker. The last flight will be in October.

### Drug companies market wholesale health

Integration of pharmaceuticals with hospital and doctor services should have wide appeal, says Daniel Green

INTERNATIONAL COMPANIES AND FINANCE

This week's alliance between Novo Nordisk of Denmark and Johnson and Johnson of the US is the latest is a series of moves by pharmaceuticals companies designed to open new markets in the healthcare industry.

Until the 1990s, drugs companies were, on the whole, content to provide drugs. This decade has seen pressure from governments and insurance companies keen to control health costs.

Drugs bills have been a favourite target even though they account for less than 20 per cent of the world's \$2,000bn plus healthcare expenditure. The pharmaceuticals indus-try has responded by moving

into the other 80 per cent of the market. It has begun to try to integrate pharmaceuticals with hospital and doctor services. What Novo and J&J will sell is a package of the former's

insulin products along with

blood sugar monitoring systems made by J&J's subsidiary. LifeScan. Such "disease management" packages should appeal to doctors, hospital executives and

health insurers in several

They could help the co-ordination and continuity of patient care, improve cost incentives for early diagnosis and preventative measures, and make measurement of the

quality of healthcare easier. They can also play a direct role in cost control in combina-tion with a system of paying for healthcare called "capitation". Under capitation, healthcare providers are paid not according to the number and kind of treatments performed but on a flat fee per head of population

So disease management packages could help the setting of that fee by encapsulating all aspects of treating a disease and giving it a single price tag. Diabetes is ideal for this kind of packaging. Patients are

often young and remain otherwise healthy for many years. That means that the condition is clearly delineated in medical terms as well as by products for diagnosis and treatment. Novo and J&J are among the

last diabetes specialists to get together in this way. Rivals such as Bayer of Germany and Eli Lilly and Upjohn, both of the US, are already offering disease management packages. Other diseases are now being

targeted by the pharmaceuti-cals industry. Last December, Zeneca became the first drugs company to buy a chain of specialist cancer hospitals. Not only will it be able to increase sales of its cancer drugs through its Salick healthcare subsidiary in the US, but it will also offer a complete cancer treatment service.

our large companies -Merck, Eli Lilly, Pfizer and SmithKline Beeand SmithKline Beecham - have made a point of trying to establish detailed databases of drug prescribing patterns.

With such data, they should be able to improve the planning and efficiency of local healthcare services, offering, for example, packages tailored to different population profiles. Lilly has decided to merge its

Diabetes Bayer Diagnostics (diagnostics; Schem (genencs) Aids/HIV, asthma, cardiovascular, diabetes, hypertension Boehringer Mannhelm (diagnostics); (mergroup Eli Lilly (Integrated Diabetes, schizophrenia, decression, respiratory (MCO); Mylan (generics); Ranbaxy (generics) disease, ulcers Boehringer Mannheim (diagnostics); + "an important custor Asthma Reuters (data) Ulcers, epilepsy, diabetes, depression, cardiovascular, asthma Novo Nordsk Diabetes LifeScan (diagnostics) Pharmacu Pizer Asthma, cardiovascular, depression Value Health (data) Schering-Prough SmithKine Beecham (products); Mid-Atlantic Medical (MCO): DPS (data) Schering-Plough (products); Mid-Atlantic Medical (MCO); DPS (data) SmithKline Beecham Asthma Up;ohn Diabetes Warner-Lambert Cardiovascular, Alzheimer's. Zeneca (Stuart Discase) Carciovascular Management Services)

**PACKAGING DISEASES** 

drugs distributor and another subsidiary called Intergrated

Oncology

Disease Management. Mr Martyn Postle, of Kleinwort Benson's pharmaceuticals corporate finance teams, says that these companies may have an advantage over rivals which will find it hard to

"Those companies that acquired a distributor have an opportunity to realise the latent value of their information asset," he says.

obtain comparable data.

Disease management has so far been largely confined to the US. The healthcare industry there is fragmented, independent chains of hospitals and doctors' practices vying for the attention of the big payers such as insurance companies.

They can be approached separately by sales staff bearing radical ideas such as disease management.

Salick

Europe, where the government is usually the buyer, presents a different kind of challenge. But several US companies are already transferring the idea to European markets. Eli Lilly is jointly marketing its diabetes drug Humulin with blood sugar monitors made by Germany's Boehringer

Mannheim. The two companies "have joint arrangement deals or are working out deals in more than 50 countries around the world," says Lilly.

Lilly is one of the companies that has committed most to the strategy of disease manage-

ment products. However, it is still sufficiently concerned that the idea might not take off to have welcomed the announce ment of competition from Novo Nordisk and Johnson and Johnson.

Source: Name of Bencon, Sono

illy says that the move will help make more people aware of diabetes and "further reinforces the idea that disease management

is an issue". The point, says the company, is that "some diseases are better managed when all the healthcare resources are packaged together". It appears to be an argument that corporate strategists in the pharmaceuticals industry are taking on

### David Jones board backs sale of retail operations

By Nikki Talt in Sydney

Directors of David Jones, the Australian diversified group, yesterday gave a final go-ahead for the sale of the company's retail operations, either by a stock market flotation or via a trade sale, although shareholder approval will also be required at a meeting which has been called for July 12.

A sale of the David Jones retail busi-

ness - one of the two major department stores groups in Australia - has been mooted for many months, and a number of potential buyers, mainly from outside Australia, are said to have expressed interest.

An international roadshow, to test the depth of this interest, is expected to get under way in the next few weeks. This is likely to take in the UK, the US and some Asian centres, including

Hong Kong and Singapore. However, both the company and its advisers have warned that the sale process will take some time to complete - regardless of the disposal process that is eventually

Directors said that the earliest it could be concluded would be late in 1995, and that it was possible that the process could continue into 1996. The company has 32 stores around

Australia, generally positioned at the upper end of the department store market

The most recent results showed sales in the six months to the end of January of A\$796.8m (US\$574.9m), up 7.3 per cent over the same period a year earlier.

Net assets are put at about A\$550m and the retail business is being sold on an "ungeared basis", according to advisers.





### ROBERT MAUTHNER MEMORIAL FELLOWSHIP

The Financial Times and the Reuter Foundation have established a new visiting fellowship for journalists at Oxford University in memory of the late Robert Mauthner, the distinguished Financial Times writer on European affairs who died last year.

The Robert Mauthner Fellowship will offer mid-career journalists from European Union member countries an opportunity to spend three months studying a subject of their choice at Oxford, as members of the Reuter Foundation Programme based at Green College.

The annual fellowship is open to journalists of all media, from any EU country, who distinguish themselves in reporting and interpreting economic, political or social developments in the European Union.

Successful candidates are likely to be aged between 28 and 45. Study projects will be agreed as part of the selection procedure. Fellowships will be for one term (approximately three months) starting in October, January or April.

Applications will close on June 30th 1995. Application forms and more information may be obtained from:

The Director The Reuter Foundation 85 Fleet Street, London EC4P 4AJ

Tel: 0171 510 7015 Fax: 0171 510 8599



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Notes will carry an interest rate of 10.6875% per annum for the per-od 15.06.1995 to 15.09.1995. ITL 136.563

per ITL 5,000,000 ITL 1,365,625 per ITL 50,000,000 Luxembourg, June 19, 1995

CREDIT LYONNAIS USD 500,000,000 FRN Due 1996

Bondholders are hereby nformed that the rate for the Coupon N° 10 has been fixed at 6.1875 % for the period, starting on 14.06.1995 until 13.09.1995, inclusive

(representing a period of 92 days).

The Coupon N°10 will be payable on 14.09.1995, at the price of USD 158.13 for the USD 158.15 for the USD 158. and USD 1,581.25 for the USD 100,000 Notes. The Principal Paying Agent

& CREDIT LYONNAIS

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Floating Rate Notes Due December 1999 (the "Notes") Notice is hareby given that the Rose of Interest for the Interest Pariod June 1o, 1995 to September 15, 1995 has been fixed at 4.6875% and that the interest payable on the relevant Interest Payment Date September 15, 1995, against Coupon No. 3 will be DM11.85 in respect of DM1,000 nominal of the Notes and will be DM118.50 in respect of DM10,000 nominal of the Notes. June 1d, 1995, London By: Chibank, N.A. (Issuer Services), Agent Bank CITIBANCO

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Notice is hereby given that the notes will bear interest at 6.75% per annum for the period 16 June 1995 to 18 September 1995. Interest payable on 18 September 1995 per US\$1.000 note will amount to US\$17.63. Agent: Morgan Guaranty Trust Company

COMPANY

**NOTICES** 

CANADIAN PACTFIC LIMITED

At a meeting of the Board of Directors belo men, the following disalends were declared. ORDINARY SHARES

OPDINARY SHARES
A quarterly devidend of eight cents (Sc)
Catadran per share on the cansuading Ordinary
Sharts payable on Indo 20, 1905 to holders of
record at the close of business on lune 27, 1905.
PREPERENCE SHARES

PREPERENCE SHARES
A semi-annual divisional of State per Canadiga
Dollar Preference Share and 2-3 pence per
Sterling Preference Share on the outstanding
Preference Shares on respect of the year 1995,
payable on July 25, 1995, to holders of record at
the close of business on June 77, 1995.
BY ORDER OF THE BOARD,
D.J. DEEGAN

D.J. DEEGAN VICE-PRESIDENT AND SECRETARY MONTREAL Jame 12, 1995

**JPMorgan** 

In accordance with the Terms and Conditions of the Notes, notice is hereby of Note and ITL 2,968,100 per ITL 100,000,000 principal amount of Note

Fiduciary Issue by Kredietbank S.A. Luxembourgeoise to fund a loan to be made by it to ISVEIMER

Istituto per lo Sviluppo Economico dell'Italia Meridionale Italian Lire 150,000,000,000 Floating Rate Notes due 1997

given that for the Interest Penod from June 16, 1995 to September 18, 1995 the Notes will carry an Interest Rate of 11.36719% per annum. The Interest Amount payable on the relevant Interest Payment Date, September 18, 1995 will be ITL 148,405 per ITL 5,000,000 principal amount

> The Agent Bank Kredietbank S.A. Luxembourgeoise

ISTITUTO BANCARIO SAN PAOLO DI TORINO S.P.A., LONDON BRANCH ECU 150.000.000 FLOATING RATE DEPOSITARY RECEIPTS DUE 1997 ISIN CODE: XS0037981353

For the period June 16, 1995 to December 18, 1995 the new rate has been fixed at 6,38359 % P.A.

Next payment date:
December 18, 1995
Coupon nr: 7
Amount:
XEU 33 for the denomination of XEU 1 000
XEU 328 for the denomination of XEU 10000
XEU 3 280 for the denomination of XEU 100000

THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15, Avenue Emile Reuter LUXEMBOURG

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#### INTERNATIONAL COMPANIES AND FINANCE

### Japanese games joint venture

By Louise Kehoe

Microsoft, the world's leading personal computer software developer, is planning a joint venture to develop and market computer games with Softbank, Japan's largest software distributor.

The agreement, expected to be announced later this month. will create personal computer games for use with the "Win-dows 95" PC operating system, a new version of Microsoft Windows scheduled for launch in August.
Although there are hundreds

of games available for use with the current version of Windows - which will also be compatible with Windows 95 -Microsoft is encouraging development of games that can take full advantage of the features

of the new operating system.

The games will initially be aimed at the booming Japanese home computer market. They will compete with games designed to run on video game machines from Nintendo, Sega

Later, the joint venture is expected to market the computer games internationally. Microsoft is itself one of the largest developers of software for use on home computers. It has focused primarily, how-

ever, on educational and enter-tainment titles such as Encarta, a CD-Rom encyclopedia, rather than multimedia games. The joint venture would, therefore, represent an expansion of Microsoft's presence in the home computer software segment. Softbank has long been the

leading distributor of Microsoft products in Japan. The joint venture is the latest in a series of moves by the Japanese company to expand its international presence. Earlier this month it announced plans to acquire a stake in UCA&L, a US telemarketing company.

Softbank has also moved into the US computer trade show market with the \$800m purchase this year of the exhibition division of the Interface Group, which organises Com-dex, the world's largest com-

### **Chrysler prospects** queried by S&P

By Richard Waters

The steady improvement in credit standing that had accompanied Chrysler's rebound from near-bankruptcy in the early 1990s ended yesterday as one of the two big US rating agencies raised questions about its prospects.
Standard & Poor's, while

confirming the US motor manufacturer's A-minus senior debt rating, said it had switched the outlook on the rating to "negative" from "stable". Though not pointing to an immediate downgrading, the move indicates that the next rating action is likely to

S&P's decision comes only five months after it raised Chrysler from BBB-plus, and only weeks after the company completed a refinancing of more than \$8bn of outstanding dept. Chrysler emerged from the non-investment, or junkbond, grade two years ago.

For a company such as Chrysler, with a financial services arm which is a big borrower on the capital markets, a single-A rating is an important attribute. By reducing the company's cost of funds, the rating enables it to compete with other lenders without eating

into profit margins. Chrysler said it was pleased that its rating had been reaffirmed, but disappointed about the negative outlook.

S&P, like Moody's, reaffirmed the company's existing rating after an announcement that Mr Kirk Kerkorian, the company's biggest shareholder. would no longer pursue a buy-out of the company.

Mr Scott Sprinzen, S&P's auto industry analyst, said the outlook had been switched to negative because of the fall in US auto sales this year. Chrysler's "disappointing financial performance this year raises concerns about [its] ability to sustain financial performance at a level consistent with current ratings", S&P said.

While noting the company's "remarkable progress in improving its competitive position since the late 1980s", the icy warned that "its rela tively narrow geographic focus and product base likely will result in a high degree of earnings volatility". Chrysler relies almost exclu-

sively on North American sales and its product line is tilted heavily towards mini-vans and sport-utilities, where competi-

### PriceCostco rises 11% in term despite sluggish sales

By Richard Tomkins in New York

PriceCostco. the US membership warehouse chain with outlets in North America and the UK, yesterday reported an 11 per cent increase in third-quarter profits, in spite of sluggish sales growth in its

Net profits on continuing operations rose to \$32.6m from \$29.4m, largely because the company succeeded in improving profit margins by cutting costs and changing the product

Revenues from warehouses open for more than year rose 1 per cent, while overall revenues, lifted by new store open-

from \$3.55bn. PriceCostco ended its financial year to last August with 219 warehouses in the US Canada and two in the

ings, rose 8 per cent to \$3.82bn

It also had a 50 per cent interest in Price Club Mexico. operating eight warehouses in

Since then, PriceCostco has opened 18 warehouses in the US and Canada, including four relocations; one warehouse in Glasgow, Scotland; and five warehouses in Mexico.

In addition, a Price Club operated by Shinsegae Department Stores under a licence agreement has opened in

### IBM link with Apple, Motorola turn awry

By Lousie Kehoe

Some anniversaries are best forgotten. One that IBM will not be celebrating comes on July 3, marking four years since its decision to collaborate with Apple Computer and Motorola in the development of personal computer technol-

ogy. The "grand alliance" that was to have changed the face of the personal computer industry has fallen short of the grandiose plans formulated in 1991. IBM, in particular, appears to have gained lit-

On Monday IBM, the world's biggest computer company will finally unveil the first products to stem from the joint development agreement a range of personal computers based on the PowerPC

But its "Power Personal" products, long overdue, lack the software needed to com-pete with standard PCs. They will be introduced with software from arch rival Microsoft

instead of ally Apple.

Talks with Apple that might have given IBM the rights to put Apple Macintosh software on its Power Personal products came to naught.
A version of IBM's own PC

operating system, OS/2 Warp. designed to run on the Power Personal computers, is not yet complete. Industry analysts predict that after repeated delays the software may finally be ready towards the end of this year. When IBM, Apple and Moto-

rola formed their partnership four years ago, the three companies planned to develop PowerPC microprocessor chips that would outperform anything that Intel could bring to market. IBM and Apple also formed joint ventures to develop multimedia products and to create a "new genre of systems software".

While the PowerPC chips are faster than Intel's microprocessors, they failed to win broad support among PC manufacturers. Apple has rebuilt its Macintosh product line hased on PowerPC but is nonetheless struggling to maintain its share of the PC market.

Other aspects of the ambifailed to live up to expectations. Last week, Taligent, the IBM-Apple software development joint venture, released its first product.

However, instead of the challenge to Microsoft Windows originally envisaged, Taligent has developed a set of tools for software developers aimed primarily at its three

investors.
Similarly, the IBM-Apple multimedia joint venture, Kaleida Labs, has yet to fulfil its promise. Its charter to create multimedia technologies for use on all kinds of computers and consumer electronics systems has been scaled back.

In contrast to the excitement surrounding the formation of the IBM-Apple-Motorola alliance in 1991, last week an elaborate demonstration of Kaleida's latest technology and the introduction of Taligent's first product went

Public attention was instead focused on IBM's latest attempt to boost its presence in the PC software market through the acquisition of

Lotus Development.
Time will tell whether this may turn out to be a more memorable event.

### Microsoft plans | Dreams for | Argentine auto engine runs hot and cold

Sales are down, but investment is up. David Pilling looks at South American trends

times the thermometer of a the year 2000. nation's economic health. then Argentina appears to be chilled and flushed at the same time. Just as domestic sales have plummeted - by 38 per cent in the first five months multinational companies have pledged to invest \$3bn in new

plant over the next five years. But much of that investment could be placed in doubt following the decision by Brazil this week to review its treatment of Argentine automotive imports. In an ambiguouslyworded decree. Brazil set quotas on imports of cars without specifically excluding production from the countries of Mer-

cosur, a customs union that

groups Brazil with Argentina.

Paraguay and Uruguay.

Many carmakers that have pledged large investments in Argentina - such as General Motors, Ford and Fiat - have done so with the huge and newly-stabilised Brazilian market very much in mind. They had hoped to take advantage of Mercosur free-trade arrangements, expected to enable Argentine-produced cars freely to enter Brazil, where vehicle sales could soon surpass an

Such companies are bound to be uneasy at the possible ramifications of Brazilian quotas, in strite of assurances from some diplomats that Argentine imports will not be affected. Perhaps of even greater concern will be Brazil's intention to renegotiate the car regime hammered out with fellow Mercosur members last year, and

othing encapsulates

the driven nature of

Mr Milt Ward's person-

ality as clearly as when he

says: "You must claw every

day to make the company bet-

It is only three years since

he was recruited to rebuild, as

co-chairman, Cyprus Minerals;

two years since he surprised

the rest of the mining and met-

als industry by merging it with

Amax; and one year since he

started Cyprus Amax on an

international expansion with the acquisition of copper pro-

iects in Peru and Chile. Capital

expenditure in the past three

sales of non-core assets raised

a similar sum. Cyprus Amax

plans to spend another \$1.7bn

in the next three years. "We

In the past three years the

top three managers in every

one of the group's divisions

have been replaced. "Not

because the people who were

there did not know what they

were doing, but we wanted to

do things differently," Mr

Today Cyprus Amax is the

second largest US copper pro-ducer after Phelps Dodge and

the second largest coal pro-

ducer after Hanson's Peabody

subsidiary. It is also the world's biggest producer of

molybdenum, used for tough-

ening other metals, and of lith-

ium, used by the glass, ceram-

ics and metallurgical industries. Each of the busi-

nesses has reduced costs.

improved productivity and

increased production levels.

This was partly achieved through redundancies after the

merger: 2,000, or 17 per cent of

the workforce, have gone,

mostly administrative staff and

middle managers, leaving 9,500

Even the most sceptical

observers agree that Mr Ward

and saving \$200m a year.

Ward insists.

are remaking the company,"

ter and bigger."

whole scenario," says Mr Jorge Mostany, president of Ford Argentina and vice-president of Adefa, the Argentine automakers' association. Brasilia's apparent desire to change the rules could be partly aimed at enticing investments away from Argentina and into Brazil, he says. "Investors saw But they might look at things differently now."

now and 1999, spending \$700m on developing Escort and Rover production lines, and a further \$300m on upgrading existing plant. Up until now. Ford has produced cars in both Argentina and Brazil in conjunction with Volkswagen as part of the Autolatina joint venture, but recent years of rapid market expansion have persuaded both companies to go it alone. General Motors, which last

year ended a 16-year absence from Argentina with the inauguration of a \$100m pick-up truck plant, is due to invest a further \$1.1bn. Half will be spent on a new factory in Santa Fé province, which by 1997 should be rolling out nearly 100,000 Chevrolet utility vehicles a year.

Fiat is to invest \$600m in a Córdoba-based factory slated to produce 150,000 Fiat 128s a year, while Chrysler, Volkswagen, Toyota and Mercedes Benz plan smaller, but significant

seems to have made the

Cyprus-Amax merger a suc-

cess. He agrees. "The merger has gone just beautifully." But

he has one important caveat.

He wants Cyprus Amax to be

seen as a copper and gold company, "because that can be a very attractive business". He should know because he joined

Cyprus from Freeport-McMo-

Ran, a US mining group with

gold in its portfolio and where

he spent about 20 years, lat-

terly as president. But so far

attempts to improve the repu-tation of Amax Gold, a high-

cost producer 45 per cent-

owned by Cyprus Amax, have

pany was bleeding to death,"

Mr Ward recalls. "We halved

the staff, have given it finan-

cial flexibility and are moving

shead with two new mines.

Amax Gold produced 241,000

ounces of gold at a cash cost of

\$340 an ounce last year, but Mr

Ward insists that in 1997 it will

produce 635,000 ounces and

costs at the present mines will

be down to \$221 an ounce.

Cyprus has its own gold proj-

ect in Russia and this might be

sold to help Amax Gold on its

way to an annual 1m ounces.

At that stage, Ward hopes, a

However, all this is inciden-

tal to his main objective, which

is to make Cyprus Amax one of

the world's biggest, lowest-cost

and most admired copper pro-

ducers. Mr Ward suggests that

global copper demand can be

expected to grow by an annual

average of more than 2 per

cent for at least the next eight

to 10 years, and this will

require an extra 600m lbs of

Cyprus's aim is to increase

its copper production from last

year's 632m lbs, to 1bn lbs in

1998, while driving cash

production costs down from 69

to 60 cents a lb (including

credits for by-product

capacity every year.

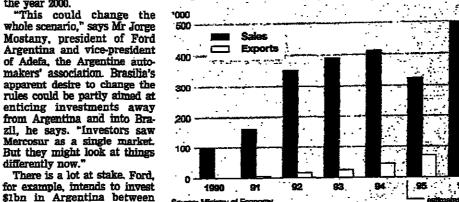
merger could be arranged.

But the stock price is flat."

Renovator lends the Midas touch

Cyprus Amax co-chairman Milt Ward speaks to Kenneth Gooding.

If the car industry is some originally expected to last until Argentine car market



investments. Most of these companies are gambling that the Argentine market, which has slumped this year because of a post-Mexico credit squeeze. will pick up again in 1996. By tines should be buying at least 500,000 cars a year, five times the number being sold in 1990.

any carmakers which abandoned which abandoned Argentina in the previous two decades of economic and political turbulence, intend to give the country another shot. Argentina, which slayed hyperinflation in 1991, has more years of stability behind it than Brazil, which has had less than a year of relative price stability.

But other advantages that Argentina may have had over Brazil as an investment location for carmakers could be eroded by Brasilia's apparent desire to renegotiate the rules. Potential investors in Argentina, for example, had probably factored into to their location decision Argentina's lower tariffs on capital imports and the more protected nature of its domestic industry.

Possible rule changes also threaten the strategies of Argentina's local car industry. already changing its strategy in preparation for fiercer competition and greater export potential

Ciadea, which produces Renault vehicles, plans to invest \$500m in modernising produc-tion lines and in nearly doubling capacity to 200,000 units by the year 2000. The company, which will have raised the ratio of cars produced per worker from 5.9 in 1990 to 28 by next year, is pushing towards a "world-class" standard of 40. Its focus, too, is regional.

"We are not thinking in terms

ness, being spun off while Cyprus Amax kept Amax's coal and molybdonum

\$250m of cashflow." Mr Ward

operations.

Mercosur," Mr Manuel Antelo, Ciadea chief executive, said before Brazil issued its decree After Brazil's announcement, he said: "We had planned to export 40,000 more vehicles, which represents a month-anda-half of production," although he remained "optimistic" that a solution would be found in talks due to be held from early next week in São Paulo, Brazil Sevel, controlled by the local Macri group, had also devel-

of Argentina any more, but of

oped a Mercosur strategy fol-lowing the decision by Fiat, whose models account for 73 per cent of Sevel's sales, to withdraw its licence from 1998. This month, Sevel negotiated a deal with Peugeot of France which will make the Argentine company the sole producer of Peugeot cars for the region.

Should Brazil toughen its stance, however, Peugeot's decision to concentrate production of its models in Argentina may also be reviewed. Even in the short term, Sev-

el's plans to export 35,000 vehicles to Brazil in the second half could be affected. If Brazilian quotas are applied to Argentina, then Sevel's exports will be restricted to 10,000.

This year has already seen Argentine car plants standing idle for several weeks, as auto makers have cut back production in line with frosty domestic sales figures. If differences with Brazil are not quickly solved, Argentine companies cannot rule out job losses. 'You can't live with these ups and downs," said Mr Antelo. "It's a disaster."

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Ontario Hydro, one of Canada's two biggest electric power utilities and an important international borrower, will reduce its C\$3hn (US\$2.2hn) long-term debt by 11 per cent by the end of 1997. It is also preparing for continent-wide deregulation of electricity generation and distribution.

tured in 1992-93 because of the recession, expects profit to range between C\$600m and C\$800m a year in 1995-97, providing strong momentum for

Ontario Hydro said operating costs would be pared further, and its 20 per cent generating surplus was unlikely to be absorbed until well after 2000. "A deregulated continental

the annual report said. The new Conservative govted to privatisation of some or

Correction

Sail

A report on the Salem steel plant of the Steel Authority of India Limited (Sail) in Tamil Nadu on May 31 contained a number of errors. The plant earned a net profit of Rs40m (\$1.3m) in 1993-94. Sail's Durgapur plant in West Bengal is being modernised to achieve an annual output of 1.8m tonnes of ingots and 1.5m tonnes of saleable steel

# Milt Ward: 'The merger has

gone just beautifully

pany in the past was its copper mines in Arizona. But virtually all its trucks, shovels and milling equipment urgently needed replacing when Mr Ward arrived. This was a legacy from when Cyprus was spun off to shareholders by the Amoco oil group in 1985. According to Mr Ward, "the previous management bought the assets cheaply and believed they could make a lot of money if they did not invest or spend heavily. They spent nothing on

The backbone of the com-

r Ward's ambitions for Cyprus were thwarted by a lack of cash. That was the point of the merger with Amax. Together, the two had coal operations that would provide steady earnings and cashflow and temper the volatility of the metals market. The merger in November 1993 resulted in Alumax, Amax's aluminium busi-

molybdenum at \$3 a lb).

the mining fleet until some-

points out. Without the coal cashflow Cyprus could not have contemplated the acquisitions outside the US: it peid \$31m for the Cerro Verde copper mine and 15,000 acres of highly-prospective territory from the Peruvian government in March last year, and folly-fought auction for a 51 per cent stake in the El Abra copper ore body in Chile from the state-owned Codelco for \$330m.

Some in the industry suggest Cyprus paid too much for El Abra, but Mr Ward says the bid was based on the assumption the deposit would contain two or three times the copper already discovered. There are now 2,000 people working on El Abra, which some analysts suggest has the potential to match Chile's Chuquicamata and Escondida, the world's two

The merger with Amax per-

haps stemmed from Amax's

biggest copper mines.

severe weakness after the collapse in aluminium prices, to the lowest-ever level in real terms. However, copper prices remained relatively buoyant during the recession and have risen to very profitable levels in the past two years. Cyprus Amax will generate about \$1bn of cashflow this year and Mr Ward expects cashflow to cover capital expenditure for the next three years. Some \$250m to \$300m of 1995 cashflow will come from the

coal operations, but Mr Ward makes it clear he sees the business as more than just a "cash cow". There are plans to expand it, too.

### Ontario Hydro set to cut debt

By Robert Gibbens in Montreal

There was some criticism of Cyprus's move deeper into the coal business. "But we needed the cashflow from coal to grow the copper business and we got The utility, heavily restruc-

In 1994, it posted net profit of

C\$587m on revenues of C\$8.7bn, against a loss of C\$3.6bn, including restructuring charges, on revenues of C\$8.4bn in 1993.

free market in electrical energy, down to the retail level, is a realistic prospect,"

ernment of Ontario is commitall of Ontario Hydro's non-



Net rental income record £32.6 million (1994 - £30 million) Profit before tax £35.3 million (1994 - £22.3 million)

Portfolio valuation £397 million (1994 - £380 million) Shareholders' funds £336 million (1994 - £319 million)

Earnings per Ordinary share 11.05p (1994 - 8.59p) Dividends per Ordinary share 4.4p (1994 - 4.2p)

- ☐ Letting progress has been maintained
- ☐ Retail content of portfolio increased to 24%
- ☐ Gearing unchanged at 23%
- ☐ Net finance costs covered 2.5 times by net rental income

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Notice is hereby given that for the Interest Period 15th June, 1995 to 15th September, 1995 the Bonds will carry a Rate of Interest of 7.375 per cent. per annum with a Coupor amount of FF 188.47 per FF 10,000 Bond and FF 1,884.72 per FF 100,000 Bond. The relevant Interest Payment Date will

Bankers Trust Company, London Agent Bank 25,500,000 HMC MORTGAGE ASSETS

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Mortgage Backed Floating Rate
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June 14, 1995 to September 14, 1995
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payable that September 14, 1995 payment date, September 14, 1995 will be 21,896.71 per 2100,000 nominal arrount. By: Tits Chass Mashellan Bank, N.A. Landon, Agent Bank



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By: The Chase Manhattan Bank, N.A. London, Agent Bank



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### Scapa buys Coating Sciences for \$43m

Scapa Group, the industrial materials manufacturer, yes-terday moved to reduce its reliance on the paper industry by acquiring Coating Sciences, the US tapes company, for \$13m.
The acquisition, its second in

North America in eight weeks, is expected to push sales from Scapa's specialist materials businesses above those from the paper equipment division for the first time It is paying \$34.2m cash for

the Connecticut-based company, of which \$4m has been deferred for at least three years, while assuming \$9m of Mr David Dunn, chief execu-

tive, admitted the deal looked pricey given Coating Sciences' \$5.1m net assets and profits of \$2.1m last year. He said, however, the strategic benefits and additional capacity flowing from the sub-

sidiary's new plant would make it earnings enhancing in the first year.

"This will give us critical

costs £340m

Capital Shopping Centres, the

UK property company, has emerged as winner of a four-

way auction for the Metro-

Centre in Gateshead, Europe's

largest covered shopping cen-

tre and one of the biggest

properties ever to be sold in the UK, writes Simon London.

The company, which floated

on the stock market last year,

is thought to have offered the

Church Commissioners, the

Church of England body that

is selling the shopping centre, about £340m for a 90 per cent

interest. The Church Commis-

stoners has indicated that it

wanted to keep 10 per cent

within its investment portfo-

Capital Shopping Centres

beat off the Prudential, the life

insurer, and rival property

companies Hammerson and

Chelsfield to win the 2.2m sq

CML Microsystems

CML Microsystems, the

equipment manufacturer,

reported reduced pre-tax prof-

its of £3.81m for the year to March 31 on turnover ahead to

Mr George Gurry, chairman,

said the promising start to the year had been curbed as diffi-culties emerged with the

expanding operations of the

traffic business, Microsense

There was also a late downturn in sales at MX-COM,

the US semiconductor bus-

help balance the portfolio." The acquisition, agreed after nine months of talks, is expec-

ted to increase net borrowings from £58.4m to £90m, for gearing of about 40 per cent. It follows the purchase in April of Renfrew Tape, the Canadian tapes manufacturer. for C\$17m.

Scapa has been trying to expand its industrial division which also makes filtration equipment and speciality materials - after four years of recession in the paper industry, its main customer base. Although the recession has

receded with increased paper prices, Scapa's profits last year were held back by aggressive competition among equipment suppliers. Pre-tax profits fell from £48.5m to £46.1m in the year to March 31 despite increased sales of £437.3m (£391.7m), including £4.1m from

Mr Dunn blamed the decline on a £5m exceptional charge, forced Scapa to closed a

# Share price relative to the FT-SE-A Chemicals Index

French factory and streamline operations in Mexico, South Africa and Canada.

1993

Those costs and depressed prices contributed to reduced operating profits of £34.7m (£41.4m) in the paper division. Profits in the industrial materials division, by comparison, rose from £14.1m to £19m. including a nine month contribution from Barnier, the incurred to cut overcapacity. French speciality tapes business acquired 18 months ago. estimated 250bn cu ft of proven

### PowerGen buys Oryx' North Sea gas assets

PowerGen, the electricity generation company, has agreed to buy a package of North Sea gas assets from the UK energy business of Oryx, the debt-laden Dallas-based oil explorer, for \$120m. The generation company has

agreed to buy a 33.7 per cent working interest in the producing Audrey gas field in block 48/15a, a 10 per cent working interest in the partly developed Galleon gas field in the same block and an interest in the part of that block which contains the Ensign gas discovery. It has also committed to buying one third of Block 21/5a. PowerGen said it would fund the purchase from its own financial resources.

The purchase is subject to the Department of Trade and Industry and partner pre-emp-

The acquisition will add an

and likely gas reserves to PowerGen's existing gas port-

Currently it holds 210bn cu ft in gas reserves. The company has a mixture of gas and oil interests in the Liverpool Bay, Ravenspurn North and Johnston fields, which were purchased from Monument and Lasmo last year. Its oil reserves total 15m barrels in

Liverpool Bay. Mr Alf Roberts, PowerGen executive director, commercial, said: "This acquisition is a further significant step in building an upstream gas business. It will provide both immediate operating profit contributions and the prospect of long-term, low cost gas to support our future business requirements."

Earlier this month Orva sold a 15.5 per cent stake in the Alba oil field in the North Sea to Union Texas Petroleum for \$27m. Oryx said its year-end debt target was \$1.3bn. Its debt levels peaked at \$3.2bn in 1990.

LEX COMMENT

Food retailers can breath a sigh of relief: the new advertising campaign from J. Sainsbury will not trigger a fresh price war. It will focus on service, not price, emphasising the group's letermination to crack down on wonky trollies and carrier bags that do not open.

Although a substantial and well thought-out

campaign, it is doubtful whether it will be enough to transform the group's somewhat lacklustre sales performance. Like for like sales growth at Sainsbury is running at 2 to 3 per cent, compared to 6 to 7 per cent at Tesco and 5 per cent at Saleway. The latest move looks like a carching-up exercise. Ever since Tesco launched its Value Lines in late 1993, Sainsbury has given the impression of being on the defensive. The latest evidence of this is the Tesco customer loyalty card, which, though sniffily decried by Sainsbury, has boosted its rival's sales. But to give Sainsbury its due, it has been adept at devising new retailing initiatives – not least its own-brand products in categories such as beer, nappies and baby-foods. As it concedes, it has not communicated its achievements as effectively

The cost of the new campaign will hit Sains-



bury's own profits this year, but by less than 1 per cent. In the absence of price cuts, the feared sector-wide squeeze on margins will not materialise. The superstores have seen off the threat of the discounters and, so far at least, are disinclined to tear each other apart on price. For as long as this self-restraint holds, the sector will deserve to outperform further.

#### Southern Water fails to deliver Shopping centre stake

Southern Water was yesterday under fire from consumer groups and analysts as it unveiled increased annual profits but failed to deliver a special benefits package for shareholders or customers. Customer rebates and special dividends

have been a feature of this water industry reporting season, with Thames the only other company so far to resist the trend. Mr William Courtney, chairman, said there was no need to pay a special dividend to shareholders. Instead: We will ensure our annual dividend reflects the financial aspirations of our shareholders."

However, Southern said it would seek powers to buy back 10 per cent of its shares. This has the effect of enhancing earnings per share and could allow the company to accelerate the rate of dividend

Meanwhile, Mr Courtney said customer benefits had been reflected in the price limits set at the last regulatory review. In addition, the company would examine whether to defer part of the annual price increase. Southern also intended to invest in discretionary spending, such as measures to prevent sewer flooding in the

The market expressed its displeasure

shares down 13p to 627p. "I think they are not in touch with the political realities of the world," said one analyst. "What they are doing would be fine in isolation, but the problem is that other companies are doing much more."

The Southern Consumer Service Committee, the independent consumer arm of the Office of Water Services, said yesterday the announcement left customers with "absolutely nothing". Professor Judith Rees, the CSC's chairman, said: "Shareholders appear to be the winners and customers are given nothing more than vague promises of service improvements."

### Hartstone returns to 'normal' and dividend list

By Peggy Hollinger

Hartstone, the hosiery and leathergoods company, yesterday returned to the dividend list after a two-year absence and announced a sharp swing back into the black with profits of £4.7m after 1994's £70.7m

Mr Shaun Dowling said the company was "just about respectable", with improved profits and gearing down from 310 per cent to 58 per cent. The payment of a 0.32p dividend signalled that Hartstone was ready to "behave like a normal

Mr Dowling said he expected

the dividend to be increased in future in line with the improvement in profits. He added that much

remained to be done, most importantly the completion of refinancing talks with bankers. However, Hartstone would now be able to focus on building up e brands it owned, such as Etienne Aigner in the US rather than concentrating on the "minuses", he said.

Hartstone was almost written off by investors in 1993 after issuing repetitive profit warnings and announcing it had breached banking covenants. After management

year and has sold a number of businesses acquired in the acquisition binge between 1989

The sharp turnround in profits was partly due to the absence of £71.5m in excep-tional charges on discontinued businesses. Excluding exceptionals, pre-tax profits rose from £800,000 to £4.6m, on sales down from £363.9m to £218m. Earnings of 1.8p per share, compared with a 58.6p loss.

The hosiery business which the market expects will eventually be sold - benefitted from a record performance in

### BA appoints new marketing director

British Airways has appointed Mr Ford Ennals as its new marketing director to replace Mr Mike Batt, who left in March because he wanted to live in the US, writes Michael

Skapinker. Mr Ennals, 39, has marketing experience in both the US and the UK and has worked for Mars, Unilever and Reebok. He USM-quoted traffic control is currently executive vice ness operations for Fruit of the Loom, the clothing company. Mr Bob Ayling, BA's manag-

ment of Mr Ennals followed a worldwide search for someone to replace Mr Batt, who invented the Club World concept for the airline.

Mr Ennals, who joins BA next month, will be responsible for the company's advertising, customer relations and in-flight entertainment. A graduate of Nottingham University, he played football for England schoolboys. He spent 10 years at Mars in both the US and the UK.

### Faupel Trading 7% ahead

Faupel Trading Group, the goods mainly from China, achieved a 7 per cent rise in pre-tax profits from £1.02m to £1.09m (\$1.71m) in the year to

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Year Book 1995

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investment markets, whether as a fund manager, financial

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Turnover slipped to £27m USM quoted importer of textile (£27.8m) but operating profits goods mainly from China, improved from £1.54m to £1.74m. Last time there was an exceptional £82,000 credit. The company plans to move to a full quote in July.

### THE NEW SOUTH AFRICA: ITS FIRST YEAR

Nearly a year has passed since South Africa's first fully democratic In principle, the New South Africa should prove itself capable of election, which took place on 27 April 1994. The first anniversary of this historic event provides an occasion for retrospection and a look ahead.

Developments during the past year, in the economic as in other areas, were enlivened by the relief, the goodwill and the spirit of tolerance and election and the instalment of the Government of National Unity. Confidence and optimism among both households and business enterprises, and expectations of early improvements in the quality of life among broad segments of the population, undoubtedly contributed to marked surges in both consumption and investment expenditure during the second half of 1994 in particular.

The South African economy weakened cyclically from early 1989 through the first few months of 1993. A cyclical recovery is now provisionally estimated to have commenced in June 1993; the startingpoint of this upturn therefore significantly preceded the general election.

Real gross domestic product rose by some 21/2 per cent in the calendar year 1994, but at impressive rates, seasonally adjusted and annualised of 4 and 61/2 per cent in the third and the fourth quarter. Real gross domestic expenditure increased by close to 6 per cent during 1994, and at an average seasonally adjusted and annualised quarterly rate of as much as 81/2 per cent in the second half of the year. Most remarkably, real gross domestic fixed investment, which had shrunk by nearly one fourth from early 1990 to late 1992, recovered by more than 7 per cent in 1994. In the final quarter of 1994 it was rising strongly at an annualised rate touching 20 per cent.

The sharp upturn in domestic expenditure was accompanied by a surge in merchandise imports which caused the balance on the balance-ofpayments current account to be transformed from a surplus of R5,8 billion in 1993 to a deficit of R2.1 billion in 1994. However, after very heavy outflows of foreign capital in 1993 and the first half of 1994, changing perceptions of the South African situation led to net inflows of foreign capital almost from the day of Mr Nelson Mandela's inauguration as President on 10 May 1994.

During a large part of 1994, the revival of the economy failed to make a significant favourable impression on employment in the formal sector of the economy; unemployment, and suboptimal use of the work force in employment or self-employment in the informal sector, are among the most acute problems to be dealt with in reorientation of the economy. At the same time, the surge in domestic spending and rising levels of activity also contributed to a reacceleration of inflation in both production and consumer prices to a level of 91/2 to 101/2 per cent in late 1994 and early 1995. Unduly rapid expansion of bank credit and the monetary aggregates called for tightening measures of monetary policy in October 1994 and February 1995.

Major events in the first year of the New South Africa included South Africa's successful floating of a major global bond issued in December 1994 and the abolition of the financial rand - signifying termination of South Africa's dual exchange rate system and abolition of the most important element of exchange controls over non-residents.

Prospects for 1995 are for a real growth rate of the economy of the order of less than 3 to about 31/2 per cent; the figure is likely to be held down by poor crops and by the ramifications of poor agricultural conditions, as well as by prospects for a decline in real value added of the goldmining industry.

matching, and surpassing, even the country's best economic growth performances of the post-World War II period. This view is based on the fact that the New South Africa will have freed itself of the self-imposed curbs, constraints and inefficiencies of earlier socio-political policy regimes; is no longer subject to international sanctions and disinvestment campaigns; and has regained access to the international money and capital markets. South Africa's relative advancedness on the African continent means that the country has many "good things" going in for it. The central government's budget for 1995/96 has given evidence of the authorities' determination to maintain discipline in matters of fiscal no less than monetary policy.

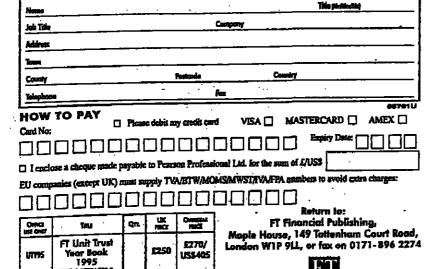
The year since 27 April 1994 has however also brought a new sobriety and realism. Some time has inevitably been absorbed by the new Government's having to settle in and to familiarise itself with the mechanisms and procedures of governing. The Government is "new" not least in that it has sought to introduce new styles of government that call for broadly based consultation in policy matters and for community involvement and the participation of stakeholders, in addition to being open, transparent and accountable. A good deal of work remains to be done in drawing up South Africa's permanent Constitution and in defining the functions, revenue-raising and borrowing powers of the sub-national tiers of government. Efforts are afoot among South Africa's continental neighbours to enlist the country's co-operation and participation in the economic upliftment of sub-Saharan or East and Southern Africa. Not surprisingly, the advent of the New South Africa has led segments of the workforce in both the public and the private sector to campaign for a revision of their relative wage positions and working conditions.

Some early results have been achieved in "Presidential projects" (such as primary health care, a school feeding scheme, and electrification by Eskom) that are spearheading the Government's Reconstruction and Development Programme. Care has to be taken, however, to ensure the long-term sustainability of these upliftment actions and their reconcilability with fiscal and monetary discipline. This calls for careful management of the expectations of the electorate.

In the 1970's and 1980's, South Africa's economic growth and development were increasingly held back by political uncertainties, the country's international isolation, and structural deficiencies of the economy. These deficiencies included low levels of domestic saving and investment, inflation-proneness, limited competitiveness of large parts of South African business, and limited employability of large parts of the country's labour force.

The socio-political realities of the New South Africa have not, by themselves, caused these problems to go away. Arrayed against these difficulties are awareness and understanding of the country's problems in senior circles of the Government of National Unity, and the fact that these problems may now be addressed by a legitimate government whose solid support base should afford it additional degrees of freedom in doing so. The essential challenge facing South Africa today is to enhance the quality of life for broad layers of its population while also raising the productivity and earning power of its disadvantaged population groups and strengthening the supply capabilities of its

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### Odds in favour of casino expansion

Scheherazade Daneshkhu considers plans for the easing of gambling regulations

asing operators in the UK are placing their bets on a series of deregulatory moves which they hope will help expand business

and profits. More than 70 per cent of the UK's 119 casinos are in the hands of quoted companies such as Rank, Stakis, Stanley Leisure, London Clubs International and Capital Corporation,

the former Crockfords.

Last year the total amount exchanged for chips amounted to £2.2bn, an 8 per cent increase on the previous year. London is the dominant centre with its 21 casinos accounting for two-thirds of this.

The casino industry has long lobbied against what it sees as archaic regulations which are only this year beginning to ease, mainly as a result of the government's commitment to deregulation and its own spectacular entry into the gambling business through the National Lottery last Novem-

We are on the edge of the most exciting era in British casinos for the last 30 years," said Mr David Michels, chief executive of Stakis, the hotels

In the US, deregulation has led to rapid growth with casino

revenues doubling since 1990 to \$16.5bn (£10.5bn) last year, according to Harrah's, one of the largest US casino groups. The growth has been mainly driven by the introduction of state lotteries and the permission given to native American tribes to operate casinos on their reservations.

UK casino operators do not expect anything like the same lifting of controls or level of growth, and the changes proposed so far are relatively

Mr Bruce Jones, leisure analyst at Smith New Court, said the deregulation was good news especially for provincial casinos which, unlike London, have been going through a period, possibly exacerbated by competition from the National Lottery.

The casinos were this year allowed two new card games, casino stud poker and super pan 9 in addition to the four existing games: roulette, punto banco, blackjack and dice. Super pan 9 is a more profitable game for the casinos, although Mr Michels said the margin on any new game was better for the house initially,

In a government consulta-

"WE'VE COME TO LOSE ALL OUR MONEY - THERE AREN'T ANY CASINOS ON MARS "



tion paper expected soon, casinos hope to see proposals to modify the 48 hour rule, under which an individual has to register in person at the casino but cannot play for 48 hours an inconvenience to tourists and big spenders passing

through London Casinos also hope to be allowed to serve drinks after midnight given that they can stay open until 4am, and to be given some leeway on advertisgive unprompted information about where they are located While they do not expect to be able to advertise on television, they hope the government will allow them to carry out notification advertising such as placing cards in hotels.

ing. Casinos are not allowed to

Jackpot machines are another issue. According to Mr Brian Lemon, general secre-tary of the British Casino Association: "Las Vegas talks in terms of thousands of machines, Europe in terms of hundreds and we talk in figures like two."

The government has proposed an increase in jackpot machines from two, paying out a maximum of £200 for a 20p stake, to six.

Mr Mark Finnie, leisure analyst at Nat West Securities, said that for a company such as Stakis, which makes about £2m out of its jackpot machines annually, the addition of four machines should increase income by at least £1m-£1.5m. But it will make little differ-

ence to the most exclusive London clubs which do not install machines because of the low stake, unless there is a proposal to raise prize money.

The government may also be more flexible about where it allows casinos to be situated, but is unlikely to relax licensing to allow a proliferation of casinos. To this extent the deregulatory moves will be primarily beneficial to existing operators, according to Mr Fin-

r Alan Goodenough, chief executive of London Clubs International, believes that any easing is long overdue. "We are fed up with being in a closet and not able to operate in a commercial way."

Although "we are no longer considered an exotic and slightly suspect investment, only just beginning to recognise the cash generative advantages of our business".

The casino husiness is undervalued in the UK, he argues, where pure casino companies are on a significant discount to the FT-SE-A leisure and hotels sector and the ratings of comparable US companies.

Mr Alex Kyriakidis, a partner covering leisure services at Arthur Andersen, the accountant and business consultant, said the Gaming Board's tight regulation had helped clear skeletons out of the cupboard.

"However, the time has come to open up the industry for wider investment and to allow casinos to market themselves to bring in overseas players, otherwise the UK industry may lose out to the rest of Europe."

### Shiva acquires Spider in \$80m deal

Spider Systems, the unquoted Edinburgh-based company that is a European leader in computer networking systems. has been acquired by Shiva Corporation of the US, in an all-share deal worth about

Both Spider and Shiva make systems and software for communications between computer networks. Shiva, which is based in Burlington, Massachusetts, said it was buying Spider mainly because it was the industry leader in tariff management for ISDN commu-

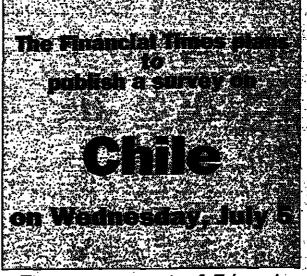
nications The US company is a leader in other aspects of digital internetworking and the companies made a "strong strategic and complementary fit" which would further strengthen its "global leadership in remote access to public and private networks", Shiva

Spider, which employs about 200 people and has concentrated on the European market, will retain its Edinburgh base. The deal will open up the US market to it, while its European penetration will assist the sale of Shiva's prod-

Shiva which was founded in 1992 is quoted on Nasdaq, the US electronic exchange, and has a market capitalisation of nearly \$500m. In 1994 it made profits of \$2.7m on sales of \$41m.

Spider, founded in 1983, had turnover in 1993-94 of £21m (\$33m) for pre-tax profits of £700,000. Last year it introduced SpiderIntegrator which routes calls between computer networks and chooses the cheapest route for different

Under the deal Shiva will issue 2m shares to Spider shareholders who consist of institutions and staff. The company's founders, Mr Martin Ritchie, managing director, and Mr Andrew Davis, technical director, are each expected to receive shares worth about 22.8m. Both will leave the



The government of Eduardo Frei, which will remain in power until the year 2000, marks a continuation of economic and political stability that has become the envy of Latin America. The survey will report on the country's economy, political scene, financial markets and more.

For more information on editorial content and details of advertising opportunities available in this survey, please contact:

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**BUSINESSES FOR SALE** 

CALL FOR EXPRESSION OF INTEREST IN PURCHASING A GROUP OF ASSETS OF "LN.STASINOPOULOS A.E.B.E" OF ATHENS GREECE

ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities of F Skoulenion Str. Athens, Greece, in its capacity as Liquidator of "LN STASINOPOULOS AEBE", a company with its registered office in Athens, Greece, (the "Company"), presently under special liquidation according to the provisions of Article 46a of Law 1892/1990, by virtue of Decision No. 5069/94 of the Athens Court of Appeal invites interested parties to submit within twenty (20) days from the publication of this call, non-binding written expressions of interest for the purchase of the group of assets mentioned below.

BRIEF INFORMATION

The Company was established in 1953. In 1978 it became bankrupt and on 3.11.94 it was placed under special liquidation according to the provisions of Article 46a of Law 1892/1990. Its objectives included the production of pipes and

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A factory standing on a plot of 3,488 squ.m. located in Moschato Municipality. between Lefkas, Handri and Cyprus Streets. The factory is leased to third parties. SALE PROCEDURE

The Company's assets will be sold by way of Public Auction in accordance with the provisions of Article 46a of Law 1892/1990, (as supplemented by art. 14 of L-2000/1991 and subsequently amended) and the terms set out in the call for tenders for the sale of the above assets, to be published in the Greek and foreign press on the dates provided by law. (This is the third auxilion to take place.) SUBMISSION OF EXPRESSIONS OF INTEREST - OFFERING

**MEMORANDUM - INFORMATION** 

ission of Expressions of Interest and for obtaining copy of the Offering Memorandum, please contact the Liquidator, "ETHNIKI REPHALEOU SA Administration of Assets and Liabilities", 1, Skouleniou Str. Athens 105 61, GREECE, Tel. +30-1323.14.84 - 87 fax: +30-1-321.97.05 (Attention Mrs. Marika Françakis).



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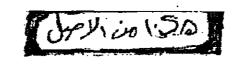
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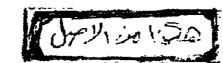
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nd more,

### Caution urged on LME copper and tin

By Kenneth Gooding, Mining Correspondent

London Metal Exchange users were given a warning yester-day to treat the copper and tin markets with caution. The LME executive issued the warning because of a tightness in supply of metal for immedi-

At the same time, Mr Raj Bagri, chairman, promised his board would deal severely with any organisation that attempted to use its financial weight to tie up stocks and dis-

amount of money floating round financial markets at present, anybody can make a mockery of a futures market. That we will not allow to happen to the LME. We have a duty to make sure that LME prices reflect the fundamentals and that people can still hedge their risks".

Mr Bagri pointed out that that 90 per cent of the base metals industry used LME settlement prices. His board had the right to take whatever steps were appropriate and

exchange's markets remained

LME executives made it clear they were not particu-larly concerned about the present state of the copper and tin markets where tightness has driven prices into backwarda-tion - where there is a premium for nearby delivery. Last night there was a US\$48 a tonne spot/three months backwardation for copper and one

Mr David King, LME chief executive, suggested that the backwardations were justified

uation for both metals. The tin market was showing a supply deficit and stocks were falling. Mr Philip Crowson, an LME director and also chief economist at RTZ Corporation, the world's biggest mining company, said the copper market would be in deficit until 1996. He said people close to the market were fully aware of the dangers. The LME's warning was to make sure that "people out on the fringes of the market do not get harmed. These are markets for consenting

adults and this is a warning to miners not to get involved."

and modern equipment for the

mines, as well as for railway maintenance and oil and lubri-

cant deliveries.

Presenting the LME's annual report. Mr Bagri also warned those who might sell short (sell metal they did not own in the hope of buying it at a lower price later) that the LME board was not there to bail them out.

He said exchange turnover rose 35 per cent in 1994 - the seventh successive increase to about 1bn tonnes, worth US\$2,000bn. Pre-tax profit fell from £2.14m to £1.95m. In 1993 the LME returned £2m of contract levy income to membe but there was no rebate last vear so turnover rose from

### Pulp price to hit fresh record

By Christopher Brown-Humes in Stockholm

Enso-Gutzeit, the Finnish pulp and paper group, said yester-day it would increase softwood pulp prices to \$1,000 a tonne from October 1, a new record for the commodity.

The move will raise the price of northern bleached softwood kraft, the industry benchmark by 575 a torne and is widely expected to be followed by of the Atlantic.

It continues an unprecedented climb in pulp prices, which as recently as mid-1993 had been languishing at \$390 a tonne. Seven previous price increases met little market resistance and analysts say the peak of the cycle may still not

have been reached. Mr Kari Vainio, an Enso vice-president, said that the increase was justified by shortages of pulpwood and "excellent" market demand for paper and board products. Wood supplies have been hit by environ-

tural research in developing

countries increases their

imports of additional goods

and services by more that \$4,

thus expanding the world

ducer associations have mis-

takenly believed that agricul-

tural aid to developing

countries would cause US

farmers to lose export mar-

kets," said co-author James

Garrett. "In fact, just the oppo-

site is true. Agricultural

**JOTTER PAD** 

"Some US farmers and pro-

export market.

mental concerns and reduced imports from Russia.

Ms Michelle Evans, a pulp and paper analyst with James Capel in London, said pulp stocks were relatively low and little new capacity was in the pipeline. "Fundamentals would suggest the price could still

climb further," she added. It is not surprising that Enso has led the way with the increase because the Finnish markka has strengthened by more than 15 per cent against the US dollar in the past year.

### Mongolia plans to dig for victory

Mining is seen as the lifeline for the central Asian republic, writes Kenneth Gooding

third of its concentrates to the

Balkhash smelter in Kazakh-

stan and much of the rest to

Russian smelters in the Ural

mountains for processing. But

it is expanding its own copper-molybdenum capacity with

help from Outokumpu, the

Finnish metals group, which is

taking molybdenum and

molybdenum concentrate in

ity is also being enlarged. The

World Bank and other western

institutions provided Mongolia

with US\$185m to help smooth

the transition from a centrally

planned to a market economy

and some of this cash is being

used to provide heavy trucks

GRAINS AND OIL SEEDS

Copper reserves are big

years and mine capac-

enough for another 60

payment.

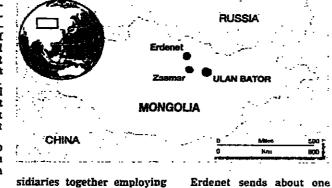
opper, gold and molybdenum are likely to prolia will use to drag itself towards the international mainstream after being almost totally dependent on the Soviet Union for the 70 years to 1990. The land-locked, central Asian republic produced about 120,000 tonnes of copper last year and plans to increase that

by 10 to 20 per cent.
Its government also wants to boost gold production from a modest two tonnes to ten tonnes by 1998.

To this end, a new mining law was passed in January that permits full foreign ownership of mining ventures in Mongolia, including those involving precious metals. No longer are gold producers forced to sell to the Mongolian central bank at prices below the prevailing international

Until gold production increases, Mongolia will rely heavily on its premier copper and molybdenum producer, Erdenet, a group 51 per cent owned by the state with the rest in the hands of the Russian Ministry of Geology. Erdenet began mining in

1978 and today the company town is the third largest in Mongolia, with 80,000 inhabitants. The group has eight sub-



sidiaries together employing 7,000. Until 1990 all its output which last year included 2,900 tonnes of molybdenum, a metal used for toughening metal alloys - went to the Soviet Union, which sent in return everything from food, clothing, oil and electricity to chewing gum.

Erdenet now exports copper and molybdenum concentrates, standard copper cathode and molybdenum oxide to 20 countries. Last year its copper exports accounted for 64 per cent of Mongolia's foreign earnings of US\$324m. Mr Damba Galsandori, Erde-

net's representative in London. says that this year demand from China is so great that the neighbouring republic will buy about 60 per cent of Mongolia's

Precious Metals continued

Mr Galsandorj says Erdenet

plans to increase quickly the ore mined from 20m tonnes a year to 27m tonnes. By the year 2005 output is expected to reach 30m tonnes. Last year Erdenet built, with Chinese help, an explosives production plant to cover all its requirements. Russia and South Korea will belp to build a steel ball plant to reduce imports of these "consumables" needed by the mills.

Erdenet also intends to retreat its waste dumps, or tailines, using modern solvent-extraction, electro-winning technology to extract most of the remaining copper. This should produce 8,000 to 10,000 tonnes of copper a year, says Mr Galsandorj. Magma Copper of the US is providing technical

He says Erdenet hopes the government will cut the group's tax payments, at present 40 per cent of its operating profit, to help pay for the expansion.

In the meantime, a big cop-per field is being explored with a US company that signed a joint venture agreement with Erdenet earlier this year. If this proves to be worth mining

SOFTS

E COCOA LCE (E/ton

Erdenet may well build a small copper smelter - 50,000 to 80,000 tonnes a year capacity and is even considering copper wire production. Finnish, Japanese and other western companies have made proposals about these plants but, says Mr Galsandorj, "this will take

Erdenet is increasing the efficiency of its copper and molybdenum operations with a 500,000 tonnes a year concentrates bagging facility at the mine. Nectar. an Anglo-Dutch shipping group, may build another close to the border with China.

Although Erdenet has no

gold operations, Mr Galsandori

recently completed research for a book about Mongolia, intended to help business peonie as well as tourists, and he says about 50 mining companies are exploring for gold in the country. One deposit, Zaamar, with a resource of 100 tonnes of gold, is to be developed by a Mongolian-Russian joint venture. The government is having discussions with American and other western companies about another, Boroo, with a resource of 40 tonnes of the precious metal. Mongolia: by Damba Galsan dorj, £6 from Erdenet, 17 Hyde Park Towers, 1 Porchester Ter-race, London W2 3TU.

#### Chinese grain fears 'unfounded' Water use also needs to be used more efficiently according their own agriculture sector

By Geoff Tansey

Fears that China's future grain import needs will drain world food markets are unfounded. according to a study released at the 2020 Vision for Food, Agriculture, and the Environment" conference in Washington, which ended yesterday.

China's grain imports are unlikely to exceed 50m tonnes by the year 2020, which would not cause disarray in the world market, according the report's co-authors, Jikun Huang, of the China National Rice Research Institute, Scott Rozelle of Stanford University's Food Research Institute and Mark Rosegrant, of the International Food Policy Research Institute, which co-sponsored the conference with the National Geographic Society.

They say massive imports will be not be needed owing to levelling off in per capita demand and increasing growth of food production, if improvements continue to be made in growing technology. One such improvement is a

new method of rice breeding which promises to increase rice vields by 15-20 per cent over four to five years, according to reports at the conference by a team of scientists from Cornell University and China's Hunan Hybrid Rice Research Centre. The researchers use genetic "maps and markers" to harvest high-yielding plant genes that are not apparent in low-vielding plants.

Per Pinstrup-Andersen, to a study on Reforming Water Allocation Policy through Mardirector general of the IFPRI kets in Tradable Water Rights proposed a six-point "2020 reported on at the conference. Vision" action plan at the close With water becoming increasof the meeting. Broadly, the ingly scarce and new resources plan calls for: • Strengthening the capacity more costly to develop, wherof developing-country governever the price of water for urban and agricultural uses is ments to perform such funckept artificially low subsidies should be reduced as part of

tions as ensuring law and order in rural areas, securing comprehensive policy reform property rights, establishing that also includes establishing and enforcing regulations and secure water rights, say the standards and promoting comstudy's authors, Mark Rose-grant of IFPRI and Renato Gazpetition in private markets;
• Investing in poor people by muri Schleyer, former secreproviding access to employtary for agriculture in Chile. ment, productive resources

Continued support for agrisuch as land and credit, basic cultural research and aid for health care and education: agriculture is in the self inter- Increasing agricultural est of the rich world, according growth through investments in to the study Foreign Assisagricultural research and extension;
• Promoting sustainable agritance to Agriculture: A Win-Win Proposition, also released at the meeting. It shows that cultural intensification with each dollar invested in agriculspecial emphasis on areas with

> and widespread poverty; Developing effective, efficient and low-cost agricultural input and output markets; And expanding international assistance and improv-

fragile soils, limited rainfall

ing its efficiency. "What is really critical for developing countries right now," he says, "is that smallscale private enterprise gets developed so we have many small private firms competing as they generate more labour imports actually increase in and so increase purchasing developing countries when power".

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Close Previous High/low AM Official Kerb close Open Int. Total daily surnover IN COPPER, grade Close Previous High/low AM Official	1001.5-3.5 1006-8 88,181 14,976 A (\$ per tonne) 2961-2 2906-8	1025-7 1032/1027 1029-9.5 1028-9 2913-4 2871-3
Close Previous High/low AM Official Karb close Open int. Total daily turnover int COPPER, grade Close Previous High/low AM Official Karb close Open int.	1001.5-0.5 1006-8 98,181 14,976 A (\$ per tonne) 2961-2 2908-8 2860/2957 2856-7	1025-7 1032/1027 1029-9.5 1028-9 2913-4 2871-3 2820/2888 2905-8
Close Previous High/low AM Officier Karb close Open int. Total daily surnover int COPPER, grade Close Previous High/low AM Officiel Karb close Open int. Total daily turnover Total daily turnover	1001.5-3.5 1006-8 88,181 14,976 A (\$ per tonne) 2961-2 2968-8 2960/2957 2356-7 239,745 62,239	1025-7 1032/1027 1028-9 1028-9 2913-4 2871-3 2830/2888 2905-8 2912-3
Close Previous High/Iow AM Official Karb close Open int. Total daily surnover ist COPPER, grade Close Previous High/Iow AM Official Karb close Open int. Total daily turnover ist Lise AM Official	1001.5-3.5 1006-8 88,181 14,976 A \$ per torne) 2901-2 2908-8 2900-2957 2335-7 239,745 62,239	1025-7 1032/1027 1028-9 1028-9 2913-4 2871-3 2830/2888 2905-8 2912-3
Close Previous High/low AM Official Karb close Open int. Total daily turnover in COPPER, grade Close Previous High/low AM Official Karb close Open int. Total daily turnover int LME Closing 2:	1001.5-3.5 1006-8 98,181 14,976 0 A (\$ per tonne) 2961-2 2908-8 2960/2957 2954-7 239,745 62,239 of 2/\$ rete: 1,800 \$ rete: 1,800	1025-7 1032/1027 1029-9.5 1028-9 2913-4 2871-3 2820/2888 2905-6 2912-3
Close Previous High/low AM Official Karb close Open int. Total daily surnover int COPPER, grade Close Previous High/low AM Official Karb close Open int. Total daily turnover int Lime Closen Jame Closen Spott 1998 3 miles:1.5	1001.5-3.5 1006-8 98,181 14,976 A (\$ per tonne) 2961-2 2960-8 2960/2957 2356-7 239,745 62,239 at 2/5 rester: 1,800 5 rester: 1,5955	1025-7 1032/1027 1029-9.5 1028-9 2913-4 2871-3 2920/2888 2905-8 2912-3
Close Previous High/low AM Official Karb close Open int. Total daily turnover in COPPER, grade Close Previous High/low AM Official Karb close Open int. Total daily turnover int. Liste daily turnover i	1001.5-3.5 1006-8 88,181 14,976 A & per tonne) 2961-2 2908-8 2960/2957 2935-7 293,745 62,239 at 2/5 rate: 1,5055 1238 6 miles 1,5055 1238 6 miles 1,5055	1025-7 1032/1027 1029-9.5 1028-9 2913-4 2871-3 2820/2888 2905-6 2912-3
Close Previous High/low AM Officiel Karb close Open int. Total daily surnover int CopePER, grade Close Previous High/low AM Officiel Karb close Open int. Total daily surnover int LIME AM Officiel LIME Closeng 2 Spott 5958 3 miller 1.5 Intelligible GRADE C	1001.5-0.5 1006-8 88,181 14,876 1A (\$ per tonne) 2961-2 2960-8 2960/2957 2395-7 2395-7 239,745 62,239 al 2/5 refer: 1.805 3 refer: 1.555 239 8 refer: 1.555 100PPER (COMEO) fe	1025-7 1022-1027 1029-9-5 1028-9 2913-4 2821/288 2905-8 2912-3 M
Close Previous High/low AM Officiel Karb close Open int. Total daily turnover IN COPPER, grade Close Previous High/low AM Officiel Karb close Open int. Total daily turnover IN LIME Closing 2: Spot:1.5958 3 miss:1.5 IN HIGH GRADE C	1001.5-0.5 1006-8 88,181 14,976 A (\$ per tonne) 2961-2 2908-8 2860/2957 2956-7 2956-7 293,745 62,239 at 2/5 rate: 1,890 295 rate: 1,8955 2938 8 mgax1,5891 COMEXION	1025-7 1032/1027 1028-9 1028-9 2913-4 2871-3 2820/2888 2905-8 2912-3 76
Close Previous High/low AM Officier Karb close Open int. Total daily turnover IN COPPER, grade Close Previous High/low AM Officiel Karb close Open int. Total daily turnover IN LIME Closeing 2: Spot: 5958 3 miles: 1. IN HIGH GRADE C Lime class Jun 139.90 +4. Jul 139.90 +4. Jul 139.95 +4. Jul	1001.5-0.5 1006-8 88,181 14,976 A (\$ per tonne) 2961-2 2908-8 2960/2957 2956-7 298,745 62,239 at 2/5 rate: 1,5955 238 6 mgaz1,5831 COPPER (COMEX) 72 138,00 136,50 10 138,00 136,50 10 138,00 136,50 10 138,00 136,50 15 136,50 135,50	1025-7 1032-1027 1028-9 1028-9 2913-4 2820/2888 2905-8 2912-3 M Does lat Vol 1,045 141 25,555 6,868 742
Close Previous High/low AM Officiel Karb close Open int. Total daily turnover in COPPER, grade Close Previous High/low AM Officiel Karb close Open int. Total daily turnover int. Total daily turnover int. Lime Closeing 2 Spot:1.5958 3 miss:1.5 int. High GRADE C  Close class Jun 138.95 +4. Jun 138.95 +4. Jun 138.95 +3. Spot:1.56.25 +3. Spot:1.56.	1001.5-3.5 1006-8 88,181 14,976 A (\$ per tonne) 2961-2 2960-8 2960/2957 239,745 62,239 at 28 mate: 1,800 5 rete: 1,5955 238 6 mate: 1,5955 238 6 mate: 1,5955 10 138,00 134,55 85 135,50	1025-7 1032/1027 1032/1027 1028-9 1028-9 2913-4 2871-3 2820/2888 2905-8 2912-3 74  Deas lat Vol 1,045 141 25,555 6,868 742 742 8,862 1,240
Close Previous High/low AM Official Karb close Open int. Total daily surnover in COPPER, grade Close Previous High/low AM Official Karb close Open int. Total daily turnover in Lime Closes Open int. Total daily turnover in Coppe int. Total daily turnover in Lime Closes Open int. Total daily turnove	1001.5-3.5 1006-8 38,181 14,976 A (\$ per tonne) 2961-2 2908-8 2960/2957 2856-7 239,745 62,239 a) 2/\$ rete: 1,800 5 rete: 1,5955 239 6 mgar.1,581 OPPER (COMEX) 7° age High low 55 135.50 135.50 85 135.50 135.50 85 135.50 135.50 15 135.70 135.50	1025-7 1032/1027 1032/1027 1028-9 1028-9 2913-4 2971-3 2920/2888 2905-8 2912-3 M  Dees int tol 1,045 141 25,525 6,568 742 8,662 1,240 601 387
Close Previous High/low AM Official Kerb close Open int. Total daily turnover in COPPER, grade Close Previous High/low AM Official Kerb close Open int. Total daily turnover int Cose Open int. Total daily turnover int Lime Close Spot: 5958 3 miles: 1.5 in High GRADE C  Be Close class Jun 132.90 +4. Jul 137.45 +3. Sep 136.25 +3. Sep 136.25 +3. Sep 136.25 +3. Sep 136.25 +3.	1001.5-0.5 1006-8 38,181 14,976 A (\$ per tonne) 2961-2 2908-8 2960/2957 2956-7 293,745 62,239 a) 2/\$ rate: 1,800 75 100 138,00 134,65 85 135,50 135,50 85 136,40 132,50 122,50 122,50 123,61 122,50	1025-7 1032/1027 1032/1027 1028-9 1028-9 2913-4 2913-4 2913-4 2905-6 2912-3 M  Deen int Vol 1,045 141 25,555 6,656 742 8,662 1,246 601

PRECIOUS METALS LONDON BULLION MARKET \$ price \$89.60-390.00 387.80-388.20 388.50 242.137 451.828 388.50 243.116 451.554 Day's High 389.70-390.10 Day's Low 387.80-368.20 Previous close 387.90-388.10

Loco Ldn Meen Gold Lending Rates (Vs USS) 2 months p/troy 02-333.10 337.85 Silver Fix Spot 3 months 6 months 533.00 539.80 546.40 560.10 1 year £ oquiv. 244-246 \$ price 389-392 389-65-402-15 Gold Coins Krugarrand Maple Leaf

E GOLD COMEX (100 Troy oz.; \$/troy oz.) 291.7 +3.4 392.2 388.7 687 114
393.9 +3.3 394.5 390.6 75,900 31,617
397.3 +3.3 397.6 394.7 6,752 204
400.6 +3.3 401.1 397.3 35,88 4,163
403.7 \*3.3 - 13,492 20
406.8 +3.3 - 6,567 97 E PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 443.5 +6.0 445.0 438.0 10,028 3,150 445.6 +6.0 446.5 441.0 8,735 798 447.2 +6.0 - 1,926 258 449.8 +6.0 - 730 -451.8 +6.0 - 205 -6,735 1,926 733 205 21.827 4.207 PALLADIUM NYMEX (100 Troy oz.; \$/iroy oz.) - - 140 165.00 161.75 5.414 E SILVER COMEX [100 Troy oz.; Certs/troy oz.] 543.6 +12.8 547.6 531.5 44.885 14.103 550.2 +12.9 552.5 537.0 - 557.5 +12.9 558.0 545.0 18,150 1.616 569.8 +12.9 - 17.309 326 565.0 +12.9 - 16 E CRUDE OIL NYMEX (42,000 US gelfs. \$/barrel) # CRUDE OIL IPE (\$/berrel) 17.96 17.87 31.284 20.113 17.96 17.56 57.220 28.404 17.45 17.38 19.191 3.248 17.35 17.30 18.496 583 17.27 17.22 5.177 70 17.20 17.13 11.461 189 185.488 88.294 HEATENG OIL RYMEX (42,000 US galle; c/US galls.) GAS Off. PE (\$700mi) 153.75 + 1.75 154.75 153.50 25.50 153.25 + 1.00 154.25 153.25 17,784 154.75 + 1.00 155.50 154.75 16,170 157.25 + 1.00 157.5 167.00 5.135 160.00 +0.50 160.75 160.00 9,575 157.50 +0.50 75.75 160.00 9,575 157.50 +0.50 75.75 160.00 9,575 M NATURAL GAS NYMEX (10,000 mmBill; Symmbil)

> 1.572 -0.006 1.705 1.881 22.440 8.0772 1.754 -0.018 1.765 1.745 20.483 4.981 1.790 -0.020 1.800 1.785 18.001 2.880 1.820 -0.017 1.825 1.815 14.541 2.372 1.885 -0.017 1.890 1.882 8.429 364 1.885 -0.017 1.890 1.882 8,429 1.945 -0.021 1.955 1.945 14,271 NYMEX (42,000 US pale; clus pale) 58.40 +0.09 69.60 59.16 19.50 50 57.55 +0.17 57.70 57.30 7.789 1.153 65.60 +0.27 55.50 55.35 3.345 618 54.55 +0.10 54.55 54.55 2.442 110 53.70 +0.15 54.00 53.85 3.374 195

WHEAT LCE (E per tonne) 128.50 +1.60 128.50 125.00 504 107.75 +0.25 · · · 638 108.65 +0.20 108.75 108.45 3,172 ■ WHEAT CBT (5.000bu min; cents/60lb bushel) 3844 -22 3929 3836 33.522 13.324 3826 -16 3998 3820 20.834 4.487 4046 -22 4130 4046 22.515 8688 40940 +044 4120 40770 2.975 467 3840 +34 3930 3948 32 2 3890 +04 38180 3880 440 60 MAIZE CBT (5,000 bu min; cents/56tb bushel) Jul Sep Dec Har May Jul Total 278/0 +1/6 280/6 276/0 96.332 23.953 283/6 +0/6 287/0 282/2 60.429 10.741 287/0 -0/5 289/4 296/2 228,65 41,729 290/6 - 236/6 590/0 23.533 3.078 282/4 +0/4 293/4 291/0 23.534 961 293/2 +0/2 295/0 33/0 13,771 1,284 ■ BARLEY LCE (2 per tonne) 105.50 +0.50 105.00 105.00 106.75 +0.35 -109.00 +0.50 -111.25 -W SOYABEANS CET (5,000bu min; cents/60b bushel) +5/8 595/0 587/0 46,154 16,481 +7/0 500/0 592/2 19,884 4,644 +5/4 605/2 597/4 8,217 1,679 +6/0 614/0 606/0 54,538 25,555 +8/0 620/0 613/4 4,520 363 +5/6 620/0 621/4 1,536 219 141,658.64,7781 M SOYABEAN OIL CET (60,000fbs: cents/fb) Jul Ang Sap Oct Dec Jac Total SOYABEAN MEAL CET (100 tons; \$7on) 173,9 +0.9 174,8 173,2 30,317 7,457 175,7 +0.6 176,8 175,3 14,814 2,448 178,1 +0.7 178,0 177,4 10,432 1,049 180,1 +1.0 181,1 179,3 8,595 534 183,8 +0.7 185,0 183,1 16,439 2,955 185,0 +0.8 188,0 184,4 1,477 145 83,874 14,987 SE POTATOES LCE &/tonnel 85.0 - - -107.5 - - -107,5 109,5 140,0 150,0 +13 2035 1995 429 +45 1970 1930 1,026 +45 1970 1930 1,026 +18 1990 1905 97 +15 1895 1880 1,339 +23 1820 1805 706 -6 1806 1805 73 Jun Jul Aug Oct Jun Apr Total

Wool
The main wool setting seasons are drawing to a
close and evidence this week does not indicate close and evidence this week does not indicate that it will teave wool on a deerer trend. South Africa's final sale was a little cheeper, and in Australia, with snother couple of weeks to go, the Eastern market indicator ended at 814, 9 cents fower than a week ego, New Zealand saw a sharper fell, with the market indicator down to 520 cents, from 649 two weeks ego, when it also fell quite starply. In all cases allowance has to be made for end-of-season orthanns but a major factor is the duliness of allowance has to be made for end-or-season offerings but a major factor is the duliness of demand from consuming countries where processors are experiencing poor demand from the retail end, The International Wool Conference, held in Harrogate this week, brought world wool teaders together and indicated that diseppointing business experience was very widespread and not confined to the UK.

1296 1271 12.037 3,696 1337 1308 31,152 2,958 1371 1343 16,268 479 1382 1379 6,255 479 1382 1579 6,256 18 6 2,960 150 1255 1333 1369 1401 1419 1439 ■ COCOA (ICCO) (SDR's/tonne) +30 2825 2765 12.221 853 +33 2750 2575 15.252 1.383 +30 2715 2668 3.096 165 +30 2665 2665 950 22 +3 - 492 -+5 - 12 -32,125 2,434 ■ COFFEE 'C' CSCE (37,500tbs; cents/lbs) 154.25 +7.15 158.00 147.75 12.957 6,907 155.55 +6.90 158.00 148.25 16,565 6,653 155.00 +6.00 156.00 150.50 5,488 2,038 157.50 +6.00 157.50 152.00 2,943 90 155.15 +6.00 150.00 150.00 200 81 158.65 +6.00 -6.00 150.00 200 81 ■ COFFEE (ICO) (US cents/pound) No? PREMIUM RAW SUGAR LCE (cents/lbs) 13.59 10.56 13.25 10.10 - - 2,360 4,380 381.00 +1.50 381.00 358.00 12,422 562
388.40 +2.20 308.00 305.00 8,416 237
283.00 +2.20 238.70 290.40 2,963 46
288.20 +2.20 238.00 255.90 3,155 319
287.00 +1.90 289.80 289.50 485 20
294.70 +1.50 293.50 293.40 188 10 E SUGAR "11" CSCE (112,000tos; cents/fbs) 11.80 +0.03 11.55 11.48 34,990 7,788 10.29 +0.06 10.31 10.21 43,985 5,934 10.04 +0.03 10.07 9,99 24,757 2,425 10.06 +0.03 10.11 10.03 8,781 237 9,91 +0.05 9,92 8,84 2,913 139 123,931 +0.05 9,92 8,84 2,913 139 123,931 40.05 10.05 COTTON NYCE (50,000lbs; certs/lbs) 113.35 +1.00 114.00 112.00 12.753 986 86.95 +0.35 87.01 85.50 8,802 837 79.88 +0.28 80.00 79.05 29,981 30.95 80.85 +0.30 89.95 80.10 10,577 48 81.65 +0.42 81.65 80.70 3,954 234 S ORANGE JUSCE NYCE (15,000lbs; cents/fbs) 103.80 2.80 104.90 100.80 9,000 1,696 107.00 2.80 108.70 103.90 12.243 1,607 107.00 1.60 107.90 105.00 1,888 117 1.10 108.75 107.50 2,735 1.95 111.60 110.00 850 2.95 115.60 113.75 432 Lon. day sugar (raw) Lon. day sugar (wte) Tate & Lyle export Barley (Eng. feed) Maize (US NoS Yellow VÇLUME DATA

Open interest and Volume data shown tor contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Grude Oil are one INDICES # REUTERS (Base: 18/9/31=100)

Jun 15 Jun 14 month ago year ago 2277 4 2269.6 2323.1 2032.0 E CRB Putures (Base: 1967=100) Jun 13 month ego 232.68 231.58

MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000/bs; cents/lbs 62.800 -0.575 63.775 82.675 5,790 2,142 60.825 -0.900 62.650 83.800 26,547 7,300 61.875 -0.450 62.625 61.750 13,606 2,237 63.650 -0.225 64.100 63,450 5,890 86,603 -0.375 64,600 63,450 5,3742 366 64.633 -0.375 64,600 63,450 3,742 366 64.775 -0.375 65,350 84,700 1,533 147 ■ LIVE HOGS CME (40,000bs; cents/bs) 46.600 +0.375 46.675 45.500 1,716 1,138 39.275 +0.225 39.750 38.600 3,717 38.350 +0.400 38.650 37.500 3,011 48.750 +0.225 48.675 47.675 525 47.725 +0.175 48.200 47.725 40

LONDON TRADED OPTIONS Strike price \$ tonne — Calls — — Puts — 1800 .. ..... 2800 .... 2900 .... 3000 .... 100 153 -E COFFEE LCE 100 85 72 # BRENT CRUDE IPE JE

LONDON SPOT MARKETS ■ CRUDE Off, FOB (per barrel/Aug) +07-Dubei Brent Blend (dated Brent Blend (Aug.) W.T.I. (1pm est) ■ OIL PRODUCTS NY/Eprompt delivery CIF (tonne) Gas Oil Heavy Fuel Oil Nephthe Jet fuel Diesel Petroleum Argus. Tel. Lon \$182-184 170-171 (D171) 359 8792 OTHER Gold (per troy cz)# Silver (per troy cz)# Platinum (per troy cz.) Paliadium (per troy cz.) Copper (US prod.) Lead (US prod.) Tin (Kusta Lumpur) Tin (New York) 15.76m 326.5c Cattle (live weight)† Sheep (live weight)† Pigs (live weight)† 107.38p 95.72p

\$345.8

372.0m

\$585.0v

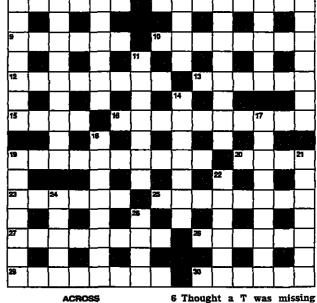
161.0

Wheat (US Dark North) Rubber (Jul)♥ Rubber (Aug)♥ Rubber (KL RSS No1) Coconut Oil (Phil)§ Palm Oil (Matay.)§

Copra (Phil)§ Soyabeans (US) Conon Outlook'B' Index

**CROSSWORD** 

No.8,789 Set by ALAUN



ACROSS from "arbitrated" (8)
7 Is second to none, we're told, 8 Lineage of a family that's come down in the world? (7)

While I'd be juggling inside with lives (6)
10 Are not so concerned, being 10 Are not so concerned, being stupid (8)
12 Follow home, in disfavour (8)
13 Make up a story about an animal – a dog (6)
15 They don't agree the numbers should be divided by a quarter (4)
16 What the box commends good (9)
18 A good goalie will always be fit (4,4)

16 What the boy soprano felt 19 Unrolled as fast as one could when his voice broke? (4,6) (4,3) when his voice broke? (4,6) (4,3)

18 Setting off too early for the 21 Meant it's not going into races (5,5) 20 Appeared fruitless, but one 22 A bird sanctuary in an Italian

did the same (4)
23 Believe it will take (6) 25 Going into the pub, too, I'm to the bid (3,5)

28 Pass the advice to the girl with the lank hair (6) 29 Everybody carried out came

30 Brown was beaten (6)

1 Word with a double meaning (5-2)
2 Succeeding in cooking properly (5,4)

3 Were accepted on return pre-5 The account for the auditor



in the city (5)

action (7)

14 For a few months incarcerat-

city (6)
24 Box containing vital necessi-

26 As the cockney said, the trio are without engagements (4) Solution 8,788

### INTERNATIONAL CAPITAL MARKETS

### Low volumes exacerbate fall in Europe

By Graham Bowley in London and Lisa Bransten in New York

European government bond prices headed lower yesterday in quiet trading conditions as dealers reacted badly to disappointing US economic data.

Figures showed that US industrial production declined in May but the fall was less than traders had expected.Bond prices in Europe fell back on the news, although it had little effect on the US Trea-

sury market. The data's effect was exacerbated by low turnover across Europe because German financial markets were closed for a

■ UK government bond prices declined amid inflationary concerns triggered by doubts about the government's com-mitment to low inflation.

Traders said the chancellor's hints in his Mansion House underlying inflation could tem-

Poor inflation figures which showed that underlying retail price inflation accelerated to 2.7 per cent last month from 2.6 per cent in April caused a sell-off early in the day. The gilt yield curve also steepened slightly

#### GOVERNMENT **BONDS**

The long gilt future on Liffe fell  $\frac{2}{18}$  point to 105%. The 10year gilt yield spread over German bunds widened to 149 basis points.

■ German government bonds ended largely flat, with the September bund futures con-tract traded on Liffe in London closing at 94.01, down 0.03.

Traders took advantage of the quiet trading conditions to speech on Wednesday that further dissect the comments made by Bundesbank officials porarily rise above the after Wednesday's council

comments that the full effect of the last interest rate cut have still to be seen suggests that the Bundesbank sees no need to cut rates soon," said Mr Huw Roberts, European bond

strategist at NatWest Markets. The central bank's decision to leave interest rates on hold caused a slight flattening of the curve. This continued yesterday, with short-term interest rates rising.

■ French government bonds moved higher amid rumours 5.5 per cent. that the Bank of France might act soon to lower French official interest rates.

The rumours were sparked by a softening of overnight call money interest rates. This fuelled speculation that the French authorities were guiding short-term rates lower to prepare the market for an easing of official rates.

The September notional futures contract on Matif closed at 115.10, up 0.14 point.

with prices falling sharply

lower. The Spanish market had been performing well in previous sessions until hit by corruption allegations.

■ Italian government bond prices advanced, in spite of fresh supply.

The Italian Treasury auctioned L1,000bn of 10-year bonds with a 10.50 per cent coupon and L1,500hn of floating-rate notes with a coupon of

■ US Treasury prices were nearly flat yesterday morning as the market consolidated after two weeks of sharp fluctuations.

By midday, the benchmark 30-year Treasury was off & at 1133, to yield 6.572 per cent. At the short end, the twoyear note was unchanged at 100%, to yield 5.644 per cent. Bonds mostly shrugged off

economic data showing the

long-term target rate of 2.5 per meeting. "Issing's [Mr Otmar Political worries plagued economy to be slowing. Induscent caused concern among Issing, a Bundesbank director] Spanish government bonds. trial production dropped 0.2 trial production dropped 0.2 per cent and capacity utilisation fell to 83.7 per cent in May according to the Federal Reserve Board.

Both figures were broadly in line with economists' esti-

A group of Barings bond-There was a brief rally after the Federal Reserve Bank of holders yesterday asked the administrators of Barings plc Philadelphia released its surto go back to the High Court vey of June economic activity. to seek directions on whether The index of general busithe parent of the failed UK ness conditions slid 24.3 per cent in June after a 16.4 per merchant bank should be put

By Antonia Sharpe

into liquidation.

The creditors' meetings

came three months after the

High Court approved the sale

of the worldwide business

operations of the Barings

Group to Internationale Neder-

landen Group (ING), the Dutch

banking and insurance group.

note due 2001 which was issued in 1986 by Barings BV,

a Dutch financing arm, want

Barines plc to be put into liq-

uidation so that their bonds

can be "accelerated", which

means the principal amount

would be due to be repaid

By having their bonds accel-

erated, the 1986 bondholders

would be in the same position

as the holders of another

\$150m floating-rate note due

2001 which Barings BV issued

in 1994. Their bonds, which

were declared in default

shortly after Barings went into administration, are

The two groups of bond-

holders are pitted against each

other because they are both creditors of Barings BV.

Although Barings BV was not

bought by ING, the Dutch

bank has said that in 1999 it

will repay a \$150m loan which

Barings BV made to Baring Securities, and between 5 per

cent and 20 per cent of a \$93.7m loan made to Baring

Brothers. The 1986 bond-

holders are in a weaker posi-

tion because their notes have a

"flip" clause which switches

liabilities for payment of creditors to Barings ple if Barings

BV goes into liquidation.

already accelerated.

early.

Holders of a \$150m capital

cent decline in May. The survey data is important because it gives the first indi-cation of economic performance in June.

However, bonds were unable to hold their gains and by midday slid back to late Wednesday levels.

Mr Philippe Jordan, head of fixed-income trading at Daiwa Securities America said the market was entering a period of consolidation and would probably remain in a narrow

### Liquidation | Albania close to sought for debt relief plan Barings parent

By Richard Lapper

The World Bank was yesterday expected to approve a \$25m grant to Albania, paving the way for an innovative scheme to reduce the country's external debt.

Albania, which owes just over \$500m to commercial banks and is receiving help from the European Union, will inject more than \$50m of its resources into a scheme allowing creditors to buy back their debt or convert it into 30-year par bonds.

More than 40 creditor banks

will have until the end of this month to consider their options. Charterhouse, the merchant bank advising the bank advisory committee on the deal, hopes for completion by the end of July.

The World Bank contribu-tion is being made through the International Development Association (IDA), which provides assistance to the world's poorest countries.

It is understood to be the higgest grant made under the DA's debt reduction facility, which was set up in 1989 and has helped a number of highlyindebted countries reduce their debts to commercial banks.

Albania is also the first IDA country to combine a buy-back with a Brady-style offer. Other iDA beneficiaries have tended to combine buy-backs with debt-for-equity exchange schemes. Banks accepting the buy back option will receive 20 cents for each dollar of debt. Between \$160m and \$285m of the commercial debt will be eligible for buy-back, with banks accepting the option eligible to receive 20 cents for each dollar

At the same time, the new par bonds are designed so as to completely eliminate any future recourse by creditors to

Effectively banks accepting this option will accept a deal worth 25 cents for each dollar

of debt, with the money being used to create bonds backed by 30-year US zero coupons and an income fund.

37.20

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While the zero coupons will provide collateral for the bonds, the income fund will generate returns through investments in a range of emerging market debt instruments including Brady bonds issued by other distressed sovereign debtors: Managed by Finely, a subsid-

iary of Crédit Commercial de France (a part-owner of Charterhouse), the income fund will initially offer a return of 2 per cent, rising to 5 per cent a year.

Banks accounting for a minimum of \$100m and a maximum of \$225m will have to agree to accept the bonds for the deal to go ahead: Some \$225m of the total com-

mercial debt was incurred at the State Bank of Albania more than five years ago, resulting from failed currency trades, and was originally concealed for several months.

Central bank officials subse quently failed to honour obligations to settle the foreign exchange trades. Because of the debt's unusual origin, Mr Adam Seymour, a director of Charterhouse, said the advisory committee had been anxious "to give the banks an option which would preserve face value of their claims".

The par bond option is primarily available for banks with losses from foreign exchange

The remainder of the debt stems mainly from short-term credits, largely from trade finance loans extended by banks to the former communist regime.

Mr Dylber Vrioni, Albania's deputy prime minister and finance minister, said the deal reflected efforts by the government to improve its relations with international banks and that Albania "wanted to break the isolation".

### Asian Development Bank issue raises Y40bn

By Antonia Sharpe

Asian Development Bank yesterday returned to the euroyen market for the first time since 1993 and raised Y40bn through an offering of 10-year eurobonds.

Unlike many euroyen bonds, ADB's offering was listed in order to achieve a wider distribution, lead manager Nikko said. Sales of the bonds were targeted at central banks and investment management groups in south-east Asia.

#### INTERNATIONAL **BONDS**

The bonds were priced to yield 21/2 basis points over the benchmark No174 Japanese government bond, which reprepoints over the World Bank's eurobonds. In the late after-

WORLD BOND PRICES

Portugal Spain Sweden UK Gits

**BENCHMARK GOVERNMENT BONDS** 

Сопроп

7.500 7.000 6.507 8.750 7.000 7.750 6.875 6.250 9.500 6.400

**BOND FUTURES AND OPTIONS** 

114.90

III LONG TERM FRENCH BOND OPTIONS (MATIF)

UK GILTS PRICES

| Notes | Note

7rees 13pc 2000.... 8pc 2000‡‡..... 18pc 2001 ..... 14pc 1998-1 .....

+0.14

High

-2 1233 -2 1025 -3 1025 -3 1113 -3 1175 -3 1015 -3 1015 -3 1177 -1 1112

Low

Red Date

06/05 02/05 02/05 02/05 08/99 12/05 10/08 05/05 02/25 04/04

07/05 90.9200 -0.190 05/05 0.0000 - 0.0000 -0.

100.9800 99.4000 90.3100 73.1230 93-23 102-27 107-00 102-20 113-20 88.7000

90.9200 -0.190 8.88 8.89 0.0000 - 0.00 6.90 94.4200 +0.220 7.31 7.19 106.4000 +0.100 7.84 8.04 91.6600 +0.180 8.29 8.09 102.7500 - 7.04 6.91 100.2400 +0.150 7.46 7.35 0.0000 -0.100 8.47 8.31 85.3000 -0.100 8.47 8.31 85.3000 +0.180 12.14† 11.87 118.0870 -0.370 2.19 2.09 111.7440 -0.410 2.96 2.87 100.9800 - 686 6.71

-8/32 -8/32 -9/32 -9/32 +2/32 -4/32

Treasury Bills and Bond Yields
5.72 Yero year
5.43 Three year
5.65 Re year
5.88 10-year
5.83 30-year

6.71 11.87 11.32 10.42 7.56 7.88 7.93 6.23 6.57 7.64

6.99 12.18 11.57 10.86 8.07 8.28 8.32 6.68 7.02 8.04

Jun Sep UK

6.86 11.36 11.68 10.57 7.81 8.09 8.13 6.14 6.57 7.81

PUTS Sep -1.26 1.75

Est. voi Open int.

7.42 6.71 9.82 8.26 7.97 8.07 8.78 8.27 10.16 8.41 8.08

8.36 8.34 7.07 8.10 8.02 8.06 8.21 8.85

8.13 83% 8.14 107%ml 8.14 10732 8.04 77% 8.12 9933 8.13 9822 8.07 993 8.11 106% 8.22 135%

global yen bonds due 2004. When the bonds were freed to trade they eased in line with the weaker market but the spread was broadly unchanged.

Nikko is also arranging the first euroven deal for a Spanish province. The Basque Country plans to raise the equivalent of Pta20bn, about Y13bn-Y15bn, through an offering of 10-year eurobonds.

The market is waiting for Belgium to make its mind up about its widely-expected eurodollar offering. The latest view is that it will be a 10-year deal. Most eurobond houses have made a pitch but only five banks - three American and two European - are said to be

on the shortlist. Dealers were surprised at the huge response to the offer announced Wednesday by Britsented a pick-up of 8 basis ish Gas to buy back its 50-year

NEW INTERNATIONAL BOND ISSUES										
Sorrower PD POLLATO	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner			
US DOLLARS ViationsBank Corp.(a):: Bancomexi(b):: Den Danske Bank(c)::	500 300 100	(a1) (b1) (c1)	99.91R 100.00R 99.165R	Jul.2000 Jun.1997 Jul.2005	0.175R 0.50R 0.50R	:	Merriii Lynch International Sentander Investment Benk Morgan Stanley & Co. Infl.			
TEN Asian Development Bank	40bn	3.125	99.594R	Jun.2005	0.325R	-	Nikka Europe			
SWASS FRANCS Esportinans	100	4.50	102.25	Aug.2001	2.25		UBS			

noon, HSBC said £154m of the Syndicate managers said now nominal £200m offering had word had got out that sales of been bought back, well above

market expectations which had ranged from one-quarter to However, sales of the replacement £200m 30-year

offering by British Gas

remained slow, although HSBC

■ BLIND FUTURES OFTRONS (LIFFE) DM250,000 points of 100%

M NOTIONAL ITALIAN GOVT, BOND (BTP) FUTURES (LIFFE) Lira 200m 100ths of 100%

Open Sett price Change

98.47

III NOTIONAL SPANISH BOND FUTURES IMEFF

Sett price Change

Sep 2-01 1-30 1-02

Sett price Change 85.90 +0.02 85.70 +0.04

III US TREASURY BOND FUTURES (CST) \$100,000 32nds of 100%

(LIFFE) Y100m 100ths of 100%

+0.15 99.04

III ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lita200m 100ths of 100%

Hìgh

High

High

Other Fixed Interest

2-29 1-63 1-37

Low

Low

Low

98.40

the new bonds were slow. investors were inclined to wait until the spread widened to the high 50s over gilts, the level they believed to be more appropriate than the launch spread of 53 basis points.

A \$300m two-year floatingsaid it "was not doing badly". rate note from Bancomext, the

1.05 1.37

98.30

Est voi Open int.

20,087 18,298

Est. vol. Open Int.

32404

Mexican government-owned development bank, re-opened the eurobond market to Mexico six months after the peso crisis. However, the large spread of 500 basis points over Libor showed that Mexico had some work to do to get back down to the spread of 200 basis points enjoyed less than two years

<b>ACTUARIES</b>	FIXED	INTERES	T IND	CES
indices Glits	Thu Jun: 15	Day's change %	Wed Jun 14	Accru: intere
on to 5 years (23)	120 98	-0.09	121.35	1.6

e Indices Glits	Thu Jun 15	Day's change %	Wed Jun 14	Accrued interest	xd adj. ytc									Jun 14	
Up to 5 years (23)	120.98	-0.09	121.35	1.57	5.26	5 yrs	7.87	7.82	8.36	7.87	7.83	8.56	7.93	7.89	8.67
5-15 years (21)	143.75	-0.12	144.21	1.34	6.53	15 vrs	8.11	8.08	8.57	.8.13	8.11	B.71	8.23	8.22	8.97
Over 15 years (9)	162,04	-0.27	162,48	2.25		20 yrs	8.11	8.06	ີ 8.52	8.14	8.11	8.71	8.22	8.20	8.79
Irredeemables (6)	185.43	+0.32	184.84	1.58	6.36	Irred.†	8.13	8,15	8.62						
All stocks (59)	140.24	-0.14	140.67	1.63	6.05										
ex-linked									no 5% 14 Yr. :				n 10% 14 Yr. 1		•
Up to 5 years (2)	195.57	+0.05	195.46	1.05	257	Up to 5 yrs	3.2	28 3.	30 3.	78	1.1	57. 1.	83 2.	70 .	
Over 5 years (11)	184.79	+0.06	184.84	0.86	2.36	Over 5 vrs	3.0	3 3.	84 3.	88	8.	42 . 3.	45 3.	69	
All stocks (13)	185.01	+0.06	185.05	0.87	2.37			-						-	

Average gross redemption yields are shown above. Coupon Bands. Low: 0%-74%	; Medium: 8%-10%%; High; 11% and over, † Rat yield, ytd Year to date,
FT FIXED INTEREST INDICES	GILT EDGED ACTIVITY INDICE

FT FIXED INTEREST INDICES GILT EDGED ACTIVITY INDICES													
	Jun 15	Jun 14	Jun 13	Jun 12	Jun 9	Yr ago	High*	Low*		Jun 14	Jun 13	Jun 12	פ מטן
Govt. Secs. (UK)				93.18				90.22	GRt Edged bargains	. 85.9	97.7	77.7	87.7
Flood interest * for 1995. Governmen 26 and Flood interest	Securbe	s high sine	ca compli		40 (9/1/35				5-day average west high since complation: 133	88.6 1.87 (21/1/94) , I	87.8 low 50.53 (3/1/15)	86.4 . Basis 100	101.5 2: Government Secu

### FT/ISMA INTERNATIONAL BOND SERVICE national bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on June 15 leased Bid Offer Chg. | 5.21 | Abbey Nell Treasury 8 03 2 | 1000 | 96 lg | 7.19 | Alliance Lelica 11 lg 97 2 | 100 | 106 | 7.20 | British Land 6 lg 93 2 | 150 | 97 lg | 98 104<sup>1</sup>8 98<sup>2</sup>8 24 93<sup>5</sup>8 111<sup>2</sup>8 6.06 6.75 7.00 7.34 6.18

U.S. DOLLAR STRAIGHTS					United Kingdom 7 <sup>1</sup> a 97 5500	104 <sup>1</sup> 8	1044		521	Abbey Neil Treasury 8 03 E 1000	96 <sup>1</sup> a	96° -1	. 8188
Abbey Natl Tressury 5 97 1000	98³a	985		6.06	Volkswagen int Fin 7 03 1000	987	9912	يا	7.19	Aliance Leics 113 97 £ 100	106	1084	· 7.83
Abbey Nati Treasury 612 03 1000		987	₽ <sup>1</sup> g	6.75	Wartd Bank 0 15 2000	24	2416	14	7.20	British Land 6% 23 £	917	921, -3,	9.96
ABN Ambro Bank 7 t 05 1000		102%	وَلب	7.00	World Bank 5% 03	93 <sup>5</sup> 8	33 <b>1</b>	ᅸ	5.89	Denmark 64, 98 E	957	97 <u>ئ</u> و	7.88
African Dev Bk 73 23 500		100%	+14	7.34	World Bank 83; 00	1117	113	ᅽ	5.86	EB863 £ 1000	975	يد ي 979	8.42
Alberta Province 7% 98 1000	104 <sup>1</sup> 4	1042	والب	6.18						Hallax 103 97 E 100	1044	1041,	7.59
Austria 81 <sub>2</sub> 00 400	109	1093	وآب	6.18	SWISS FRANC STRAIGHTS					Hanson 103 97 £ 500	104%	105 -1-	8.03
Baden-Wuett L-Fin 8 <sup>1</sup> 2 00 1000	10714	10712	410	6.25	Asian Dev Sant. 5 10 100	105%	105 <sup>1</sup> 2		544	HSBC Holdings 11.89 02 £ 153		11312 -3	
Earlk Ned Gemeenten 7 99 1000	103%	1035	وله	6.05	Austra 4 <sup>1</sup> 2 00 1000	1015	1074		4.10	Raby 10 <sup>1</sup> 2 14 E 400	1071	10g J	9.59
Bayer Vereinstok 812 00 500	1074	10712	وآله	8.25	Council Europe 4% 98	1014	101		424	Japan Dav Bk 7 00 E 200	9514	يد و25	8.12
Belgium 51 <sub>2</sub> 03 1000	925	927	+24	6.67	Denmark 4 <sup>1</sup> 4 99	100 <sup>1</sup> 2	1003	ᆚ	4,12	Land Secs 912 07 E 300	1033	10313.	9.02
BFCE 74, 97	1024	103 <sup>1</sup> 2		5.99	59 63, 04 300	1091	1704	-	5.39	Ontario 11 <sup>1</sup> 2 01 £ 100	1117	21115 -3	8.54
British Columbia 7 % 02 500		107	434	652	Bec de França 7 <sup>3</sup> 4 06 100	112	113	يد	5.70	Powergen 87s 03 £ 250	1012	101 3 1	8.66
8rtish Gas 0 21	144	1472	,lg	7.66	Pinland 7 <sup>1</sup> 4 99 300	109½	10912	ᅸ	4.78	Severn Treat 1112 99 £ 150		111 -	8.28
Carrecta 6 <sup>1</sup> 2 97 2000	101	101년	, Ja	5.98	Hyunda Motor Fin 8 <sup>1</sup> 2 97 100	107		•	5.09	Tokyo Blec Power 11 01 C 150	1115	يد 112	8.44
Cheung Kang Fin 5 <sup>1</sup> 2 98 500		95 <sup>1</sup> 8	+14	7.38	lostend 75 00 100	1114	1114		507	Abbey National 0 98 NZS 100	89%	يداب ∞209	8.54
China 6 <sup>1</sup> 2 0 <sup>4</sup> 1000	9412	9552	+14	7.50	Kote 63 01 240	ر107′2	108 <sup>1</sup> 2		4.82	TCNZ Fin 914 02 NZS	106%	1074 +5	7.96
Council Europe 8 96		10212	₽ <sup>L</sup> e	5.67	Ontano 6 <sup>1</sup> 4 03 400	106	106 <sup>1</sup> 2	. ၂	527	Credit Local 8 01 FFr 7000	924	يد 93	7.43
Credit Fonder 9 <sup>1</sup> 2 99 300		110%	ᄲ	621	Quebec Hydro 5 08	81½	92 <sup>1</sup> 2		5.97	Bec de France 84 22 FFr 3000	1054	105	-8.26
Denmark 5¾ 98 1000	99 <sup>1</sup> 2	9934	ولب	5.94	SNCF 7 04450	1134	11312		5.17	SNCF 914 97 FFr 4000	104	104 <sup>3</sup> g	6.82
East Japan Railway 6% 04 600		10014	ولب	6.64	World Bank 5 03 150	100 <sup>1</sup> 2	10174		4.92		٠.		
ECSC 8 <sup>1</sup> 4 96 193	703	103 <sup>3</sup> 8	_	6.00	World Bank 7 01 600	731	1171		4.75	FLOATING RATE NOTES		- 2.7	
56 7 <sup>3</sup> 4 96 250		102 <sup>1</sup> 8	+lg	5.87						· Issued	96	d Offer	C.epn ·
EB 94; 97 1000	107	1074		802	yen straights					Abbert New Towns 1 de lease			
Elec de France 9 98		1073		6.13		11112	1113,	4	2.28	Abbey Nati Tressury -16 99 1000	99.7		5.8750 .
Ex-Im Bank Japan 6 02 500		105%	416	6,44	BB 6 <sup>2</sup> 8 00 100000	1187	1197	٠,	2.37	Bankamerica 1 <sub>6</sub> 99 750	99.5		6.1675
Export Dev Corp 912 98 150	109 <sup>1</sup> 8	709 <sup>1</sup> 8		6.15	Ex-km Bank Jepan 41 03 105000	1094	170	上	3.03	Belgium 2 97 DM 500	100.1		5.3750
Fed Home Loan 718 99 1500		104	+10	6,17	Intex Amer Dev 7 <sup>1</sup> 4 00 30000	122	12234	-3	2.44	BFCE -0.02 96 350	98.9		6.0425
Federal Natl Mort 7.40 04 1500		106 <sup>1</sup> 2	+4	6.56	baly 3 <sup>1</sup> 2 01 300000	1017	102		3.18	Caracts -14 99 2000	99.3		5.9375
Finland 6 <sup>3</sup> s, 97 3000		1017		6.11	Japan Dev Bk 5 99	1114	1117	J4	211	CCCE 0 08 Ecu 200			6.1562
Ford Motor Credit 614 98 1500	100	100%	_	6.34	Japan Dav Elk 6 <sup>1</sup> 2 Ot 120000	1214	1213	واند	276	Credit Lyonnais & 00 300			6.6875
ind Bk Japan Fin 7% 97	1024	1023	_ــ	652	Monon Tel Tel 5% 96 50000	1053	108	-	120	Deremark -1 <sub>2</sub> 95 1000	99.91	0 199.99	6.1875 ·

OME 1000 P. C	110-2	110.2	73	021	America Liver 2 no 100	812	247		2.87	DEC OR FEBRUSE (N4 22 HH 300)	7054	700	كافتاة
Denmark 5¾ 98 1000	99 <sup>1</sup> 2	9934	واله	5.94	SNCF 7 04	1131/2	1131-		5.17	SNCF 914 97 FFr 4000	104	104 <sup>3</sup> 8	6.82
East Japan Railway 65 D4 600	997	100%	مله	664	World Bank 5 03	10012	10174		4.92	400	10-7		-
ECSC 8 <sup>1</sup> 4 98 193	703	103 <sup>3</sup> 8	-	6.00	World Benk 7 01 600	731	1174		4.75	FLOATING RATE NOTES		. 2.	,
56 74, 96250	101%	102 <sup>1</sup> 8	ولب	5.87			-			· Issued	964	Offer	Cepn
EB 94; 97 1000	107	1074	_	802	yen straights								
Elec de France 9 96	107	1073		6.13	Belgium 5 99 75000	11112	1113	4	228	Abbey Nati Tressury -16 93 1000	99.73		5. <b>8750</b> .
Ex-Im Benk Japan 8 02 500	108 <sup>1</sup> 2	105%	ąl <sub>e</sub>	6,44	EB 6 2 00 100000	118%	1197		237	Bankamerica 1 <sub>8</sub> 99 750	99.58	99.69	6.1675
Export Dev Corp 9 <sup>1</sup> 2 98 150 Fed Home Loan 7 <sup>1</sup> 8 99 1500	109 <sup>1</sup> 8	709 <sup>1</sup> 8	-	6.15	Ex-km Baok Jepan 43, 03 105000	1094	170	وك	3.03	Belgium 2 97 DM 500	100.11	100,24	5.3750
Fed Home Loan 71/8 99 1500	103%	104	416	6,17	Intex Amer Dev 7 <sup>1</sup> 4 00 30000 bay 3 <sup>1</sup> 2 01 300007	122	122%	-\$	2.44	BFCE -0.02 96 350			- 8.0425
Federal Natl Mort 7,40 Q4 1500	106%	106 <sup>1</sup> 2	44	6.56	baly 31 <sub>2</sub> 01 300000	1017	102	چَـ	318	Canada -14 99 2000	69.37		5.9375
Finland 6 <sup>3</sup> t, 97 3000	1015	1017	-	6.11	Japan Dev Bk 5 99	1111	1117	J,	211	CCCE 0 06 Ecu 200	98.29	99.46	6.1562
Ford Motor Credit 64, 98 1500	100	100%		6.34	Japan Day Bk 61- 01 120000	1216	1213		2.76	Credit Lyannais 1/2 00 300	97.33	97.73	6.6875
ind 5k Japan Pin 7% 97	1024	1023	ᆚ	6.52	Nopon Tel Tel 57g 96 50000 Nonvey 57g 97 150000	1054	106	•	1.30	Denmark -1 <sub>2</sub> 95 1000	99.90	99.29	6.1875
Inter Amer Day 75g 96 200	101%	102 <sup>1</sup> 2	-	597	Norway 53, 97 150000	1065	1064	4	1.32	Dresdoer Finance J. 98 DM 1000	99.99	100.09	4,6328
Int Finance 5 <sup>1</sup> 4 99	97%	98 <sup>1</sup> 6	يله	5.92	SNCF 6% 00 30000	1193	1195		235	Ferro del Star 0.10 97 420	99.91	100.05	5.1250
Italy 67a 23 3500	8912	89%	护	7.95		116%	1161		300	Pintand 0 97 1000	100.16	10023	6.7580
Japan Dev Bk 63 01	108 <sup>1</sup> 2	108%	μĞ	6.32	Sweden 45g 98 150000	1075	107%		1.64	Mil Bank Ind 14 99 500	99.98	106.10	6.3125
Korea Sec Power 63 03 1350	98%	97	44	7.07	World Bank 51/4 02 250000	1145	1145		287	malv ½ 98 90 or	100.09	100.19	.6.5000
LTC8 Fg 8 97 200	1023	1025	4	651		•••		-2		LKB Baden-Wuert Fig -1, 98 1000	99.87	99:94	6.2500
Matsushita Elec 714 02 1000	10434	104 <sup>5</sup> 8	ᅹ	6.60	OTHER STRAIGHTS					Libyda Bank Perp S 0.10 600	83.06	B4.06	6.5375
Nonvay 7 <sup>1</sup> 4 97 1000	1024	10212	•	5.90	Finland 8 04 LFr 5000	1013	1025	-13-	7.70	Makasia 🖟 05 een	.99,48	99.73	6.6000
Ontario 73 03	104	1041	+J4	6.81	Genfinance Lux 91/8 99 LFr 1000	105%			7.48	New Zestand -4 99 1000	99.85	99.94	6.1875
Oster Kontrolibank 8 <sup>1</sup> 2 01 200	110³a	1104	ᄬ	6.28	IKB Deut Industbk 812 03 LFr 3000	104	105		7.77	Nove Scotta & 99 son	98.79	99,89	6.3760
Portugal 5%, 03 1000	94%	95	+14	6.71	ABN Amto 6% 00 FI 1000	1022	102%	478	6.00	Orizania 0 99	99.58	99.64	6.1250
Quabec Hydro 9-k, 98	109%	109%	-	651	Bank Ned Gemeenten 7 03 Fl 1500	1017	1017		6.74	Flerife 0.98	99.61	99.76	6,0825
Quebec Prov 9 98	1063	1063	ولب	6.43	Bell Canada 10% 99 CS		1097		7.84	Societa Generale 0 96 300	99.85	. 99.95	6.3126
Sainsbury 91/8 96 150	1037	10374	-	6.09	British Columba 74 ti3 CS 1250	985	983		8.15	Stastation & Bedin - 11.05 ga nu anno	89.99	100.05	4,5457
	110 <sup>1</sup> 8	110%		6.79	Canada Mkg & Heg 84, 99 C\$ 1000	103	103%		7.54	\$225 Bit Victoria 0.05 99 125	100.00	100.17	6.9876
	10914	109%		6.12	558 10 <sup>1</sup> 4 98 CS 130	1074	108		7.14	3000000 V VII 1500	190.00	100.09	6.0625
Spain 61 <sub>2</sub> 99 1500	101	1014	410	6.22	Bec de France 94, 99 C\$ 275	1073	1074		7.63	Sweden -1 07 2000	99.16	· 96.24	6.0525
States Blk NSW 612 96	1023	10212	يآله	6.07	KSW Int Fin 10 01 CS 400	1094	1094		7.91	United Kingdom 1 96 4000	99.93	99.97	£0000
Sweden 61, 03 2000	98 <sup>5</sup> x	997	44	8.67	Nippon Tel Tel 1014 99 C\$ 200	1093	1095		7.88		•		
Tokyo Elec Power 6 <sup>3</sup> g 03 1000	98%	9714	يأله	6.63	Ontano 6 03 CS	98%	991		8.36	CONVERTELE BONDS			-, •
Tokyo Metropolis 84 98	102%	103 <sup>1</sup> g	•	6.00	Ontario Hydro 107, 99 CS 500	110	1103		7.71		COTIL.		• •
Toyota Motor 55 98	8914	995		592	Cater Kontrolloenk 104 99 CS 150	109	1095g		7.61			Bid Offer	Prose
United Kingdom 7 <sup>1</sup> 4 02 3000	105	105 <sup>1</sup> 4	ᆚ	6.38	Quebec Hydro 7 04 CS 1000	90 <sup>3</sup> 2	9012		B.74				
World Bank 83, 99	108 <sup>5</sup> 8	108%	μğ	6.15	Quebec Prov 1012 98 CS 200	108	1083		7.74	Browning-Ferns 6% 05	22 . B		
World Bank 83 97 1500	104%	104%	•	5.87	Council Europe 9 01 Ecu 1100	1064	10612			Chubb Capital 6 98 250	-86 100	G 1044	- <b>₩7.78</b> .
						1017	100-2		171	Gold Kalgooriie 71 <sub>2</sub> 00	654 10°	912 : 105	20.63

inde introduction of all the treatment COM	100.8	100-8			∩ BELLO LUTU IN 1 23 C3 300	עון	170%	+44	7.57	COR.
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United Kingdom 7 <sup>1</sup> 4 02 9000	105	105 <sup>1</sup> 4	والب	6.38	Quebec Hydro 7 04 QS 1000	90³s	9012	μl <sub>B</sub>	B.74	Province Could 03, or one and need need need
World Bank 8% 99	1085	108%	μĪg	6.15	Ouebec Prov 1012 98 CS 200	108	1083	, L	7.74	Browning-Fents 6-k 05 400 52 <sup>1</sup> 2 99 <sup>6</sup> 1 100 <sup>3</sup> k +43.30
World Bank 84 97 1500	104%	104%	•	5.87	Council Europe 9 01 Ecu 1100		108 <sup>1</sup> 2		7.71	Chutch Capital 6 98 250 96 103 1044 47.75
					Credit Foncer 8 to 04 Equ	101%	10212	T.		Gold Kalgoorlie 7 <sup>1</sup> 2 00 65 1,0554 103 <sup>1</sup> 2 105 490,63
DEUTSCHE MARK STRAKHTS					Denmark 8 <sup>1</sup> 2 02 Ecu 1000	101 <sup>1</sup> 8	1043g	7.	8.06 7.70	Henson 912 06 E 500 2-28 1024 -108 +11.71
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		10112	44	7.05	DD 40.07 E-1 4400	- ST T			7.41	Hong Kong Land 4 of and _ shirt _ 824_ solution = 17.50
Dezmerk 6 <sup>1</sup> s 98 2000			-4		EB 10 97 Eu		1053		852	Land Secs 64 02 E 84 6.72 974 994 1695
	102	10218		5.34	Ferro del Stat 10 <sup>1</sup> 8 98 Ecu 500	106 <sup>1</sup> 8	1065 <sub>8</sub>		7.38	Lasmo 7 1, 05 £ 90 5.84 867; 861;
Depta Finance 6 8 03 1500	95°8	95 <sup>3</sup> 4		7.08	Italy 10%, 00 Ecu 1000	1104	111 <sup>1</sup> 6	ᅸ	7.97	Mitted Brok 75 /70 and annual and total total
		1027	ᅶ	7.06	United Kingdom 9 <sup>1</sup> 8 01 Scu 2750	107	10712	<u> </u>	7.56	Mittaul Bank 2's 03 200 2332.6 77% 78% 427.48
	101&	102	•	6.06	AEDC 10 89 AS 100	105	1054	•	848	Mount ha Fr 612 97 100 2.283 9812 9912 +79.14
EB 6 <sup>1</sup> 4 00 1500	101	1013		6.00	Comm Bk Australia 13% 99 AS _ 100	11752	118	ᆂ	8.61	Nati Power 64 08 2 250 4.35 105% 110% -1.25
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			+4		R & 1 Bank 7 4, 03 AS		明有		928	Sun Alience 7 t, 08 £ 155 3.9 973, 984, +13.12
	1021	10214		5.31	State Bk NSW 9 02 AS 300	100 <sup>2</sup> a	100 <sup>1</sup> 2	ᅸ	8.96	
Ontario 6 <sup>1</sup> 4 04 1500		Del <sup>1</sup> 4	+4	720	Sth Ausz Govt Fin 9 02 AS 150	991	9812		D.15	Teses (notruments 21, 02
	101-동	10112		7.00	Uniferer Australia 12 98 AS 150	1084	109 <sup>1</sup> -			Teres instruments 24, 02 300 827, 1434, 1434, 387
Sweden 8 97 2500	1055	106		540	Western Aust Tress 77-2 98 AS 100	984	983		B.32	No information available - previous day's price ‡ Only one market maker supplied a price
	-			_					***	A series and a series of the s

MAKGE CROSS RATES

strate but a mar

MONEY RATES

Demonstrate Light Control of the Con

It continued, however, to run

subdued as the G7 summit got

under way. Traders are reluc-

tant to take aggressive posi-

tions ahead of the G7 commu-

nique which will be released

on Saturday. Business was also

dampened by the absence of

Jun 15

Europe
Austria
Belgium
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Luxembourg
Netherlands
Nonway
Portugal
Spain
Sweden
Switzerland
Lik

Lik Ecu SDR† Americas Argentina Brazii

Hong Kong

South Korea

CROSS RATES AND DERIVATIVES

Jun 15 BPr DKr FFr

D-MARK FUTURES (MM) DM 125,000 per DM

SWESS FRANC FUTURES (MM) SF: 125,000 per SF:

UK INTEREST RATES

LONDON MONEY RATES

Interbank Starling  $7^{1}4 - 6$   $8^{1}_{14} - 6^{4}_{16}$  Starling CDs Treasury Bills Bank Bills Local authority deps.  $6^{1}_{14} - 6^{1}_{14}$   $6^{1}_{14} - 6^{1}_{14}$   $6^{1}_{14} - 6^{1}_{14}$   $6^{1}_{14} - 6^{1}_{14}$   $6^{1}_{14} - 6^{1}_{14}$   $6^{1}_{15} - 6^{1}_{14}$  Discount Market deps.  $7^{1}4 - 6^{1}4$   $6^{1}6 - 6^{1}4$ 

Jun 15

Change -0.0034 -0.0035

M THREE MONTH STERLING PUTURES (LIFFE) 2500,000 points of 100%

93.36 83.10 92.90 92.69

BASE LENDING RATES

Open Sett price Change High

93.34 -0.01 93.04 -0.03 92.80 -0.06 92.68 -0.08

SHORT STEELING OFFICES (LIFFE) 2500,000 points of 100%

CALLS

**EXCHANGE CROSS RATES** 

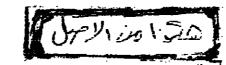
POUND SPOT FORWARD AGAINST THE POUND

Closing Change Bid/offer mid-point on day spread

8.00 4.50 4.51 6.25 6.25 10.53

One Lomb. Dus. year inter rate

7.40 4.00 5.00 -5.00 -6.00 4.00



**CURRENCIES AND MONEY** 

IES FRIDAY JUNE 1619

Connected to part of the connected to th The dollar yesterday shook off weak economic data to rally towards the top end of its recent trading range, writes Philip Gawith. into selling pressure above DML41 and near Y85, with the finger again being pointed in the direction of Asian central banks. The dollar's rally appeared in part to be the result of rumours that the Swiss National Bank might have cut rates at its council meeting, following a large injection of liquidity into money markets in the morn-

And originally on several months to bonny is entile the forest Collected origin to the second of the second or the second 190 pin 12 the banks at the care one of the care.

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M INDICES

y. 48 — : \*\_\*\*\*\* — : \*\_\*\*\*\* —

Adam & Company ... 6.75
Allied Trust Bank ... 6.75
Bank of Banda ... 6.75
Bank of Popular ... 6.75
Bank of India ... 6.75
Bank of India ... 6.75
Bank of India ... 6.75
Bank of Scotland ... 6.75
Bank of Scotland ... 6.75
Bank of Mid East ... 6.75
Bit Bit of Mid East ... 6.75
Cultank NA ... 6.75
Cu

**MARKETS REPORT** Currency markets await outcome of G7 meeting

> German markets which were closed for the Corpus Christi holiday. In the UK traders were trying to make sense of Mr Kenneth Clarke's Mansion House address the previous evening which muddled the waters by talking in terms of two sepa-

rate inflation targets. Sterling finished slightly weaker against the dollar, at \$1.5955 from \$1.6099, and was barely changed against the D-Mark at DM2.2506 from DM2.2496. Political squabbles in the Tory party over Europe continue to cap upside gains.

Y84.265. Activity remained generally having second thoughts about when German rates will fall,

Jun. 15	— <u>L.332</u> -	··· Presi, close ·-
£ spot	1.5960	1.6120
1 (AD)	1.5956	1.6116
3 min	1 5939	1.6099
T ye	1.5767	1.5930
ī yr	1.5767	1.5930

Day's Mid high low

- 1.2171 +0.0006 164 - 177 1.2228 1.2148 1.2172 0.0 1.2159 0.4 1.2087 0.7 - 1.02352

7 Rates for Jun 14. Bid/offer spreade in the Pound Spot table above only the lest three decimal places. Foreign rates are not directly quoted to the market but are implied by current interest rates. Starling index calculated by the Bank of England, Beer evening 1980 = 100, index rebesed 1/2/95, Bid, Offer and Mid-rates in both this safe the Dollar Spot tables derived from The YMA/PEU/TERS CLOSANG SPOT RATES. Some values are rounded by the F.T.

Est. vol Open int. 8,503 45,981 28,282 28,325 57 1,654

0.7083 0.7109 0.7133

612 - 612 613 - 614 613 - 612 613 - 612 - 712 -

(BFr) 100 18.99 17.08 4.869 2.124 5695 5.451 21.83 512.2 421.2 25.11 4.026 2.183 4.762 3.452 292.7 2.632 (DKr) 52.67 10 8.995 2.565 1.119 3000 2.671 11.39 269.8 221.8 13.23 2.120 1.139 2.503 1.818 154.2 1.387 (FFr) 58.56 11.12 10 2.851 1.244 3335 3.162 12.67 289.9 246.6 14.77 2.357 1.267 2.763 2.022 171.4 1.541 (DM) 20.54 3.899 3.507 1 0.436 1170 1.120 4.442 105.2 86.49 5.158 0.827 0.444 0.976 0.709 60.11 0.541 (PR) 47.08 8.938 8.040 2.292 1 2581 2.566 10.18 241.1 198.3 11.82 1.895 1.018 2.237 1.625 137.8 1.239 (L) 17.65 0.333 0.300 0.085 0.037 100. 0.096 0.380 8.94 7.395 0.441 0.077 0.038 0.083 0.061 5.139 0.046 (FI) 18.25 3.483 3.133 0.893 0.390 1045 1 3.968 93.97 77.26 4.607 0.738 0.397 0.672 0.633 53.69 0.483 (R) 46.23 8.777 7.895 2.251 0.882 2833 2.520 10 238.8 194.7 11.61 1.861 1.000 2.197 1.596 136.3 1.217 (Es) 19.52 3.707 3.334 0.951 0.415 1112 1.064 4.223 100. 82.22 4.903 0.786 0.442 0.928 0.674 57.14 0.514 (PR) 23.74 4.508 4.065 1.158 0.504 1352 1.294 5.136 121.8 100. 5.963 0.596 0.514 1.128 0.820 69.49 0.525 (SIO) 39.82 7.560 6.800 1.939 0.846 2268 2.171 8.613 204.0 167.7 10 1.803 0.881 1.802 1.375 11.65 1.048 (SFr) 24.844 4.718 4.242 1.210 0.528 1415 1.354 5.373 127.2 104.6 6.239 1 0.537 1.181 0.858 72.70 0.654 (SFr) 24.84 4.718 4.242 1.210 0.528 1415 1.354 5.373 127.2 104.6 6.239 1 0.537 1.181 0.858 72.70 0.654 (SFr) 24.84 4.718 4.242 1.210 0.528 1415 1.354 5.373 127.2 104.6 6.239 1 0.537 1.181 0.858 72.70 0.654 (SFr) 24.84 4.718 4.242 1.210 0.528 1415 1.354 5.373 127.2 104.6 6.239 1 0.537 1.181 0.858 72.70 0.654 (SFr) 24.84 4.718 4.242 1.210 0.528 1415 1.354 5.373 127.2 104.6 6.239 1 0.537 1.181 0.858 72.70 0.654 (SFr) 24.84 4.718 4.242 1.210 0.528 1415 1.354 5.373 127.2 104.6 6.239 1 0.537 1.181 0.858 72.70 0.654 (SFr) 24.84 4.718 4.242 1.210 0.528 1415 1.354 5.373 127.2 104.6 6.239 1 1.537 1.537 1.537 1.538 0.554 (SFr) 24.84 4.718 4.242 1.210 0.528 1415 1.354 5.373 127.2 104.6 6.239 1 1.537 1.537 1.537 1.538 0.554 (SFr) 24.84 4.718 4.242 1.210 0.528 1415 1.354 5.373 127.2 104.6 6.239 1 1.537 1.5

Open 1,1895 1,1999 1,2060

# STEREING PUTURES (IMM) 262,500 per £

2.15214 39.3960 13.4383 1.91007 162.493 7.26580 195.792 6.40608

MEMBERS 292.867 2106.15 0.788652

Strike Price 1.525 1.560 1.575 1.600 1.625 1.650

1.5970 1,5954 1,5900

ISE YEN FUTURES (IMM) Yen 12.5m per Yen 100

-0.0158 1.6074 -0.0144 1.6122

+0.0143 +0.231 +0.00818 +0.172 -0.00201

Eux central raises set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecut a positive change denotes a week currency. Disengance shows the raiso between zwo greach; the percentage difference between the actual market and Ecu central rate for a currency, and the maximum permitted percentage deviation of the currency's inter-let nists from it.

5.68 5.47 5.04 4.99 3.13 2.71 2.32 0.34 0.00

Jul -

0.16 0.30 0.49

0.01 0.16

1.40 2.49 3.96

Latest Change 1.1799 -0.0055 1.1938 -0.0073 1.2075 -0.0082

EMS EUROPEAN CURRENCY UNIT RATES

2,09009 38,3356 13,1311 1,86727 161,715 7,28029 198,397 6,55232

THREE MONTH EUROSOLLAR (MM) \$1m points of 100%

0.20 0.09 0.03

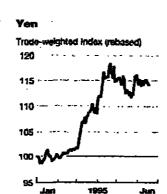
while US data is pointing Yen towards a cut.

Mr Tony Norfield, UK treasury economist, said the combination of the industrial pro-duction data and Philadelphia Fed survey made a Fed rate cut "very probable" at the FOMC on either July 5 or August 22. He noted that the fall of 0.2 per cent in industrial production, though below expectations, was the third in a row, taking capacity utilisation to 83.7 per cent, the same as in March 1994 just after the Fed

started to tighten policy. The Philadelphia Fed survey ing.

The US currency finished in London at DM1.4106 from was quite impressive considerwas also weak, connrming in Mr Norfield's view, that the "economic and inflation envirecomment will allow a cut in the for the dollar, although he still ronment will allow a cut in the Fed funds rate."

Although the market is fond is not to say they have no impact. Indeed, even if the G7 ignores currencies, that will still suffice to provide fresh



summit will be "fairly benign" for the dollar, although he still favours the downside.

Source: FT Graphite

The importance of the sumof bad-mouthing summits, this mit for currency markets is noted by Mr John Llewellyn, chief economist, Europe, at Lehman brothers in London. He points out that it is "the trading direction. Mr Peter last occasion on which Presi-Luxton, analyst at MMS in dent Clinton will be put under not going to be boxed into any

heavy international pressure not to impose sanctions (on Japan) before June 28." They are more likely to be imposed if no breakthrough is announced in Halifax.

cussed at a meeting between Mr Warren Christopher, the US secretary of state, and his Japanese counterpart, Mr Yohei than through long term investors closing positions.

some ground in the wake of the Mansion House speech. In terms of economic data, a slight in crease in underlying retail inflation to 2.7 per cent in May was offset by subdued retail sales figures.

A benign view of Mr Clarke's speech was offered by Mr Nick Parsons, treasury economist at Standard Chartered in London. "I think he deliberately confused the issue and I congramlate him on doing it. He has essentially created room for whatever he wants to do. He is

Mr Parsons noted that despite the recent volatility in the short sterling market, the number of open interest connnounced in Halifax. tracts remained at a fairly high Currencies were not dismuch of the volume had come from intra-day traders rather

WORLD INTEREST RATES

Over reght

- 5.78 5.72 5.64 - 5.78 5.85 5.78 - 6% 6% 6% - 6% 6% 6% - 32 32 3% - 32 32 3%

S LIBOR interbank foung name are offered rates for \$10m quoted to the merket by tour returned at 11mm each working day. The banks are. Berkers Trust, Bank, of Tokyo, Berclays and Westminastin. Westminastin has been been the comment of the comments becaminated.

Short 7 days One Three term rouce month months

EURO CURRENCY INTEREST RATES

MONEY RATES

Belgium week ago France week ago Irekand week ago Italy week ago Netherlands week ago Switzerland

week ago US

week 230

Japan week ago

Interbank Fixing week ago

US Dollar CDs week Ago ECU Linked De

wesk ago

Jun 15

S LIBOR FT London

in recent days the December ■ UK interest rate futures lost contract has traded higher volumes than the September contract, an indication, says Mr Parsons, that the market accepts there will be no rate change "before the clocks change (in October)".

The Bank of England cleared a \$550m shortage in its daily operations, mostly in the form of late assistance.

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the same	196-25 196-90	123,000 - 123 100
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Page	1707E - 17372	23372 - 23429
F	7545.85 · 7545.85	4773.30 - 47701.00
LAE	6575 61570	26-36 36-31

n 16		Closing mid-count	Charge	B <sub>i</sub> d/offer	Day's		One mo		Three me		One ye		P Mergar
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rope													
ente:	(Sch)	9 9130		151 - 229	9 9250		9 907	7.5		- 3	9.7025	13	107.0
glum	(BF1)		+0.281			28.6750	28.941	14		1.2	28.766	0:	109 5
unurk	(D(U)	5.5011	+0.056		5 5028	5 4443	5.5049			- U.S	5.5456	-39	109.3
land	(FM)			225 - 235	4 3265		4 3213	0.5		05	43:75	01	86.2
псе	(FFr)	4.9485	+0.0455		4.9545	4 9019	4 955	-1.8	4.9675	-1.5	4.9375	-10	103.2
many	(DM)			101 - 110	1 4728	1.3330	1.4088	1.5		:ε	1 23:8	1.3	111.4
HOCO	(Dr)			600 - 700		224,980	329.65		233.4		249.15	-9 -:	67 6
and	(PE)	1.6246		235 - 257		1 6230	1.6250	-04		-0.6	* €518	-04	-
y	ŭ,	1650.00		900 - 100		1635.00	1656 5	-4.7		47	1729 5	÷∂	668
gruboarre:	(LFr)		+0.281			28.6750	25.941	1,4	28.522	12	28.766	9.7	109.5
therlands	(F1)	1.5795	+0 0161			1.5622	1.5774	7.6	1.5735	1.5	:.5€13	1.2	109.0
way	(NKI)	6.2700		675 - 725	6.2775		6.2712	-0.2	6 264	0.4	6.2565	0.2	98.0
tugni	(Es)	148,425		360 - 470		146 680	143.875	-36		-3.9	155.675	<b>-49</b>	95.7
alin.	(Ptn)	122.050		000 - 100		121.100	122.39	-33	123.19	-3.7	127.525	-45	86.9
eden	(SKr)	7.2769		724 - 813	7.3014		7.2927	-26	7.3284	-25	7.5144	-33	77.3
itzorland	(SFr)	1.1665		660 - 66 <del>9</del>	1 1653	1.1495	1.1636	28	1 1586	2.7	1.1393	23	113.0
	(2)	1.5955		950 - 960	1.6147	1 5945	1.5951	0.3	1 5933	0.5	1 5758	1.2	84.1
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zil	(PI\$)	0.9055	-0.001		0.9070	0.9030	-	-	-	-	-	-	•
rada	(CS)	1.3773		770 - 775	1.3813	1.3745	1.3768	-1.4	1.382	-1.4	1.3938	-1.2	80.4
	w Peso)	6.2050	-0 01	900 - 200	6.2200	6.1900	6.2073	-04	6.2104	-04	6.2753	-0.2	•
Α	_ (S)	-	-	-		-		-	-	-	•	-	69.7
:Bc/Mdd													
tralia	(AS)	1,3749		746 - 755	1.3762	1.3583	1.3765	-1.4	1.3804	~1.5	1.4016	-19	79.0
ng Kong	(HKS)	7.7361		358 - 363	7.7370	7.7350	7.7344	03	7 7339	0.1	.7496	-02	-
8	(P±)	31.3960	-0.0015	920 - 000	31.4050		31,476	-3.1	31.721	-4.1	-	-	-
el	(SNA)	2.9784		759 - 819		29689		-	•	-	-	-	-
en	M	84.8050		700 - 400	84.9600		84.45	5.0	83.74	5.0	60.835	47	170.7
aysla	(AAS)	2.4435		430 - 440	2,4451	2.4375	2.4415	1.0	2,439	0.7	2.4335	04	-
v Zoaland	(NZS)	1.4939	+0.0051	932 - 948	1.4958	1.4767	1.4973	-27	1.5041	-2.7	1.5233	-2.0	•
pines	(Peso)	25.6750	-	000 - 500	25.7500		-	-	-	-	-	-	-
d <sup>a</sup> Arabia	(SR)	3.7505		503 - 507	3 7508	3.7502	3.7575	-0.3	3 7536	-0.3	3.7655	-04	-
papore	(SS)	1.3968		963 - 973	1.3988	1.3905	1.3918	45	1.2833	3.9	1.3568	29	-
th Africa	( <del>P</del> i)	3.6718		710 - 725	3.6760	3,6605	3 6928	-6.9	3.7438	-78	3.9998	-89	-
th Korea	(Won)	761.900		200 - DOS	763 600		764.9	-4.7	768.4	-34	786.9	-3.3	-
YEKT	(१५)	25,7775		750 - 800	25.7840	25.7590	25.7975	-0.9	25.8375	-0.9	-		•
fand	(Bt)	24.6600	+0.02	500 - 700	24.6700	24.6200	24.581	-1.0	24 7075	-0.B	24.795	-05	-
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NOTICE OF PAYMENT

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#### Nafin Finance Trust II

U.S.\$129,880,000 Floating Rate Notes due 1999

For the Interest Period March 31, 1995 to June 30, 1995, the Total Repayment Amount of the Notes is USD6,630,000 or 11,152228763% of the current outstanding principal amount. Principal in the amount of USD510,47 per USD4,577,30 aggregate principal amount of Notes will be payable on June 30, 1995. After June 30, 1995, interest on the portion of the Notes so repaid will cease to access Holden of Pearer Notes must deliver the appropriate interest coupon to a Payang Agent outside of the United Sentes to receive repayment on such Notes.

NAFIN FINANCE TRUST II By: Bankers Trust Company,

Dated: June 16, 1995

93.80

Notice of Interest Rate To the Rolders of The United Mexican States Collateralized Floating Rate Bonds Due 2019

Series Designation Rate Interest Amount Payment Date
DBIK Discount Series 5.3125 Pcl. P.A. DBIK 97.20 Per DBIK 1,000 December 18, 1996 CITIBANK, N.A., Agent

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28		FINANCIAL TIMES	FRIDAY JUNE 16 1995
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FINANCIAL TIMES FRIDAY JUNE 16 1995

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LIXENBOURG READER

Heiners Times ...

#### LONDON STOCK EXCHANGE

### Bid move and buy programmes boost equities

By Steve Thompson, UK Stock Market Editor

The appearance of the long expected bid move for Kleinwort Benson, the UK merchant bank, coupled with the absence of any really worrying economic news on either side of the Atlantic, helped to drive UK equities sharply higher vesterday.

Adding to the upward momentum in London were at least two trading programmes, one of which was said to have been exceptionally heavy and weighted two-to-one on the buy side. Smith New Court and S.G. Warburg were both said to have been heavily involved in the programme

trading activity in the market. The market was also being affected by heavy activity in the futures and options markets; this

morning sees the simultaneous expiry of the June contract for the Footsie future and index options. The expirations take place between 10.10am and 10.30am and should be accompanied by keen market activity, as competing houses jostle for The FT-SE 100 Index closed 30.6

higher at 3,370.4, just 10.4 short of its 1995 high set earlier this month. The FT-SE Mid 250 Index failed to match the performance of the FT-SE 100, ending 8.2 firmer at

The 250 index was burdened by - 724p - and not at a substantial poor performances from a number of retailing stocks, hit by poor results from Allders, as well as widespread weakness in many of the housebuilders and regional electricity stocks.

By contrast the underperformers in the 100 index, Sears, the retailing group, and Southern and Eastern Electricity, were only marginally easier on the session.

Confirmation that Kleinwort Benson and Dresdner Bank were involved in bid talks triggered an early frisson of excitement in the market. But the realisation that any bid would come in around Kleinwort's closing price on Wednesday premium, plus initial disappointment with May's inflation numbers, market when it opened yesterday. saw the market lose its early impetus and drift back to negative territory. The market took some comfort from the smaller than expected increase in May retail sales.

The weakness proved shortlived. however, with the programme trade activity and a flurry of overseas buying interest - much of it said to have emanated from the US - driving the Footsie up 32.2 to 3,372 at

Wall Street's strong rally overback an early 20-point decline and finish six points higher, played a name being mentioned.

slipped 3 apiece to 117p and

Northumbrian Water rose strongly, the shares moving up

30 to 975p as the company vis-

ited a number of Scottish insti-

tutions and was said to have

indicated that hid terms from

Lyonnaise des Eaux would

It was a mixed day for the

Scottish generators. Scottish

Hydro-Electric surrendered 61/2

to 3361/4 but Scottish Power

moved ahead 6 to 3430 as deal-

ers switched from the former

and into the latter, following

publication of a Monopolies

and Mergers Commission

One market watcher said:

"Scottish Hydro has gained lit-

tle from requesting the MMC investigation and in fact the

report was better for Scottish

Regional electricity stocks

retreated as dealers studied the

report for implications for their

(MMC) report into prices.

Power than for Hydro."

have to start at £10-plus.

184p respectively.

review on prices for consum-

ers, due to be published next

month. Northern receded 10 to

798p and Midlands also

retreated 10, to 664p. Eastern

Electricity relinquished 9 at

A gloomy outlook for retail-

ing stocks from a broker and a

company cast a shadow over

Morgan Stanley yesterday made a "weather call" suggest-

ing the current poor weather

may have an impact on the

profits of several retailers.

Storehouse which was nearing

the top of the Morgan Stanley

price chart, came in for con-

shares relinquished 8 to 267p.

certed profit-taking and the

Sentiment in the sector was

further undermined by a poor

trading outlook from Allders,

which reported sharply

improved interim profits. The

to 1200, the best performance

in the FT-SE Mid 250, after

Kleinwort Benson recom-

mended the shares. Volume

food retailers. Unfounded fears that J Sainsbury's £20m com-

munications and customer ser-

vice initiative launched yester-

day may in fact be a price

cutting campaign, saw the

shares ease 31/2 to 4461/2p. Senti-

ment in the stock was further

weakened by reports of new

figures showing the group to

pricing initiative from Sains-

bury helped rival Tesco firm 4

to 295p, while Argyll Group

bounced 7 to 329p. The sharp-

est rise was seen in discount

retailer Kwik Save where the

shares gained 25 to 653p, after James Capel upgraded profit

expectations and recommended

Forte improved 51/2 to 240p in

from

trade of 4.2m following a

recommendation

Relief that there was no new

be losing market

the stock.

It was a mixed picture in the

MFI Furniture advanced 6½

shares fell 16 to 221p.

was 2.6m at the close.

several stocks in the sector.

part in the market's initial gain but there was little help from the US Vodafone was the target of

renewed and heavy US buying, with the shares climbing to another all-time high. A busy utilities area saw Scottish Hydro-Electric slip back after the outcome of the MMC report, but hopes that the probable bid from from Lyonnaise des Eaux after expected clearance by the MMC later this summer could be worth well in excess of £10 a share saw Northumbrian surge ahead. A late whisper was that a predator night, which saw the Dow claw may be sizing up Legal & General; Allianz, the German group, was one

tions.

continued to improve

bled 20 to 418p, making it the

worst performer in the mid-250

index, after SG Warburg down-

Computer software group

Tadpole Technology moved deeper into new low ground

following a gloomy trading report. The shares tumbled 13

to 42p. They have very nearly

479p after the building society

tion to institutional investors

Chemicals group ICI dropped

the outlook for commodity

financial information group

Renters Holdings was particu

larly strong on the back of US

buying, closing 14% up at 525p.

Zeneca, the pharmaceuticals

group seen as being in the

sights of Roche of Switzerland,

hit a new closing high of 1081p,

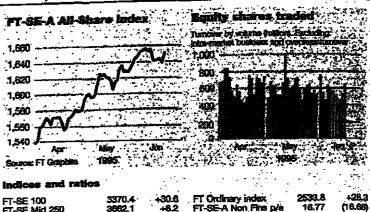
International news and

turned bank gave a presenta-

on its life assurance business.

Abbey National gained 51/2 to

halved in two days' trading.



T-SE 100	3370.4	+30.6	FT Ordinary index 2533.8	+28,
T-SE Mid 250	3662.1	+8.2	FT-SE-A Non Fins p/e 16.77	(16.62
T-SE-A 350	1671.0	+12.6	FT-SE100 Fut Jun 3370.0	+33.
T-SE-A All-Share	1650.69	+11.52	10 yr Gilt yield 8.13	(8.02
T-SE-A All-Share yield		(3.97)	Long glit/equity yld ratio: 2.08	(2.07
Sest performing s	ectors	. ••	Worst performing sectors	
Telecommunications		+1.4	1 Electricity	
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Transport		+1.4	4 Textifes & Apparel	
			5 FT-SE-A Fledgling extT	O.

### Salomon buy note lifts BP

Oil major British Petroleum was one of the most heavily traded stocks in London yesterday, as a wave of US buying sent the shares up 8 to 451%p on turnover of 14m.

The principal impetus came from a buy note issued by Salomon Brothers yesterday. The house feels that the shares are on an unwarranted 15 per cent discount to comparable companies and would be more fairly valued at around 510p.

Analyst Mr Gordon Gray said the company's recovery was complete and there was another "leg of upside" in the share price. BP shares have tumbled 6 percentage points relative to the market in the past month, while Shell Transport has remained stable.

Dealers said there might have been switching from Shell into BP but there was also selling of Shell on the back of its environmental problems with the disposal of its North Sea platform, the Brent Spar.

There has been a boycott of Shell service stations in Germany in protest at the planned sinking of the platform off the coast of Scotland. And Chancellor Helmut Kohl has threatened to raise the issue at the current Group of Seven summit. Shell Transpoart relinquished 4 at 757p with 12m shares traded.

P&0 put on steam, partly making amends for recent underperformance and partly seen as a prime takeover target

reflecting something of a sea change in sentiment building up around the group's ferries business. The shares forged

ahead 15 to 618p.

The ferries side turned in operating profits of £114m for 1994, and most analysts had been looking for a big fall this year as competition took its toll of sea-bound volume. But the news that Eurotunnel has only now received a licence to carry coaches, which book ahead, and will thus miss a large part of the summer trade. looks to be leading to something of a rethink among City

transport teams. UBS, which had pencilled in £65m of operating profits from P&O's ferry operations this year, said that it may well upgrade after the publication of the group's half-time results in August.

The bid for Kleinwort Ben-son, the UK's largest remaining independent merchant bank, by Dresdner Bank was forced into the open by the market yesterday. But the price offered by the German bank was disappointing and Kleinwort shares drifted.

It was announced that Dresdner was prepared to pay "around its [Kleinwort's] current market price". The market had expected 850p a share and Kleinwort slipped 5 to 719p. The focus of attention shifted

subsequently to other takeover candidates within the merchant banking and securities house arena. The most obvious candidate was Schroders, the only merchant bank in the Footsie. Schroders has been for some time and the shares advanced 24 to 1138p.

Elsewhere, there have been rumours about Smith New Court, the UK's leading marketmaker. Yesterday, Smith published full-year profits of £31.2m, compared with £95.2m last time, but the shares moved forward 21 to 438p.

Housebuilders stood apart from the general uptrend, trudging steadily lower as worries about a round of possible earnings downgrades ahead of the interim results season gathered momentum.
The annual round of mid-

vear company visits by analysts gets under way later this month and, in the wake of the financial rectitude emanating from Wednesday evening's Mansion House speech, the feeling among City building teams is that the news could be worse than so far antici-

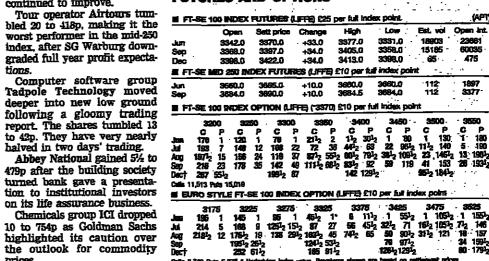
George Wimpey and Barratt

FINANCIAL			. — — —					<b>-</b>
	Jun 15	Jun 14	Jun 13	Jun 12	Jun 9	Yr ago	High	"LOW
Ordinary Share	2533.8	2506.5	2512.3	2512.6	2512.4	2383.4	2553.7	2238,3
Ord. Cfv. yield	4,21	4.25	4.25	4.25	4.26	4.24	4.78	4.20
P/E ratio net	15,90	15.74	15,75	15.74	15.79	18.73	21.38	15.73
P/E ratio nil	15.66	15.50	15.51	15.50	15.49	19.40	22.21	15.49
"For 1995, Ordinary FT Ordinary Share	Share indended	ex since of date 1/7/	ompliation 35.	Ngh 2713	.6 2/02/8	4; lgw 48.4	26/5/40	

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	Jun 15	Jun	14	Jun 13	Jun 1	2 Jun 9	Yr ago
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Equity bargainst		- 32	275	30,450	32.2	32,581	25,742
Shares traded (mil)†		- 6	9.2	548.0	477	2 521.1	513.1

London ma	TKET CZ	<del>,</del>			
Rises and falls'		1995 Highs and lows	1	UFFE Equity optic	TIS .
Total Filses	771	Total Highs	91	Total contracts	51.559
Total Fells		Total Lows	41		24,419
Same	1.610			Cetts Puts	27,140

**FUTURES AND OPTIONS** Tour operator Airtours tum-



TRADING VOLUME

■ Major Stocics Yesterday

MARKET REPORTERS: Peter John, Joel Kibazo. Jeffrey Brown.

up 9 on the day. LONDON RECENT ISSUES: EQUITIES up (Em.) High Low Stock 733 689 Brit Aero Cap Uta 103 96 Finsbury Worldwide 127 122 Gendus Group 96 80 Gus Center 113 110 International Energy 3½ 3½ Langdons Fooda 98 93 NatiWest High Sm 33 28 Do. Warnants 706 102 126 88 111 3<sup>1</sup>2 93<sup>1</sup>2 - F.P. 82.6 3 F.P. 2.23 100 F.P. 20.1 33 28 Do. Warrants
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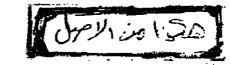
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### Dow attempts to breach the **4,500** barrier

Wall Street

US shares were mostly flat in quiet trading early yesterday as most economic data came in close to analysts' expectations, but the Nasdaq composite soared past the 900-point level on the back of a strong performance in technology issues, writes Lisa Bransten in New

The Dow passed the 4.500point barrier at 10 am, just after a survey of business activity released by the Federal



Reserve Bank of Philadelphia showed a 24.3 per cent decrease in June. The decline came on the heels of downturns in April and May and it was the first time since April 1991 that the figure had posted three consec-

5 6 7 8 9 12 13 14 15

utive declines. Since the beginning of June the market has traded higher on weak economic data, traders betting that a slowing economy would lead the Federal Reserve to lower interest rates. thereby fuelling consumption and lowering the cost of corporate borrowing.

The figures are especially important because they provide the first signal about June economic performance.

At I pm the Dow Jones Industrial Average was 6.57 higher at 4,497.65. The Standard & Poor's 500 put on 0.95 at 537.41, while the American Stock Exchange composite climbed 2.99 to 494.20. The Nasdag composite strengthened

6.14 to 901.86. Volume on the New York Stock Exchange was

Industrial production and capacity utilisation figures for May also showed the economy to be slowing but there was little market reaction as the figures were close to expect-

Paper companies faltered vesterday after an analyst at Morgan Stanley downgraded several companies to "neutral" from "outperform". Stone Container slipped \$1 at \$18, International Paper fell \$% at \$79% and Georgia Pacific lost \$1%

Rebounding technology shares helped boost the Nasdaq past the 900-point barrier. The Pacific Stock Exchange index of technology issues gained 0.86 per cent on an espe-cially strong performance by semiconductor companies.

Intel, which is the second largest company on the Nas-daq, was \$2 higher at \$114%, Applied Materials rose 2.6 per cent or \$2% at \$83% and Lam Research rose \$2, or 3.2 per

Chip companies were also strong on the NYSE. Texas Instruments was \$4% higher at \$127%, LSI Logic rose \$2% at \$73% and Motorola was \$% higher at \$61%.

Mid Atlantic Medical, a managed healthcare company known as a health maintenance organisation or HMO, shed \$1¼ at \$21¼ after it was denied accreditation by an industry monitor.

Toronto was lifted by golds as bullion rose again, the TSE 300 composite index firming 17.80 to 4,512.10 by 1 pm local time. Comex gold was rallying to a new one-month high in London as the Toronto market's gold and precious metals index put on 301.40 or 2.8 per cent at 10,929.80 at midsession.

Banks were weak, the index dropping 0.6 per cent; dealers said that the market was waiting for central bank direction on interest rates on both

### Argentina picks up

Buenos Aires edged higher in morning trade in a technical bounce after Wednesday's 4.4 per cent dive. The Merval index picked up 1.37 points to 397.22, mimicking a positive bias in Brady instruments.

Dealers commented, however, that no fresh news had emerged to cheer the market. although some Argentine stocks had become popular with Wall Street speculators because they were so volatile.

Wednesday's fall, which took losses over the last fortnight to 10 per cent, came as Brazil erected barriers against car imports, putting a strain on Mercosur, the six-month old customs union led by Argentina and Brazil which, many had hoped, would pull regional economies out of their current

slump.
MEXICO CITY overcame early weakness in late morning trade, adding to the gains of the previous two sessions. The IPC index was 12.69 higher at

Analysts noted, however, that the market still lacked direction. with gains on Wall Street still providing the only impetus for many share prices.

### S African golds soar 4.3%

FT/S&P ACTUARIES WORLD INDICES

Gold shares soared in volatile late trade in Johannesburg as jobbers moved in ahead of the June futures expiry. The golds index jumped 4.3 per cent in a rise that dealers said was far beyond that justified by a slightly better gold bullion price and weaker rand.

There was, however, little interest in industrials, in spite of Wall Street's strong performance overnight, with many

NATIONAL AND REGIONAL MARKETS

Figures in parentheses show number of lines

Canada (102

Germany (59)..... Hong Kong (55). Ireland (16)......

Netherland (19)

Spain (38) ..... Sweden (48) .

Thaitend (46).

Europe Ex. UK (536)... Pacific Ex. Japan (339) World Ex. US (1770)...

New Zealand (14) Norway (33) ......

investors already absent ahead of the long weekend holiday. The overall index, aided by a good gain in De Beers, rose 24.2 to 5,435.2, industrials

eased 6.6 to 6,784.9 and golds

advanced 60.7 to 1,463.2. De Beers, ahead R1.75 at R93, made up some lost ground after weakening on concern about its Central Selling Organisation's half-year sales figures, due on June 21.

Index Index

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offered a contrast in the retail sector and linked with that, indulged in more speculation over the Suez affair as the CAC-40 index recovered 27.05 or 1.4 per cent to 1,920.70 in turnover of FFr3.4bn. Wednesday's blocking of the

Suez plan to issue more shares, perhaps to Pinault Printemps Redoute, suggested that Mr François Pinault might have to be content with being a retailer, rather than a banker; Pinault led the CAC-40 up with a rise of FFr46 to FFr1.058. backed by at least a couple of broker upgrades. Suez, meanwhile, rose FF17.50 to FF1267 as it discussed other arrangements with its Belgian subsidiary SGB, but said also that its break-up value was not far

A better day for the dollar

especially against the French

franc, and in bond markets

gave bourses a recovery plat-form, writes Our Markets Staff.

Frankfurt was closed for the

PARIS liked the recovery in

the dollar and bond markets.

Corpus Christi holiday.

short of FFr357 a share. The downside of the broker/ retailer relationship came as SGE Delabaye reduced its earnings forecasts for Naf Naf after a slump in the retail clothing chain's reported profits for 1994/95. The shares fell FFr13 to Fr88.90.

Financials staged a recovery and Axa, prominent on the downside on Wednesday, rose FFr6.90 to FFr262.10 as it hoped that the financial benefits of its bid for National Mutual, of FT-SE Actuaries Share Indices Opent 10,301 11,001 12,001 13,001 14,001 15,001 Closet Jun 13 Jun 12

Australia, would outweigh Australian policyholders' anger at the French resump-tion of nuclear tests in the South Pacific.

BRUSSELS analysts made disapproving noises about an elaboration of the connection between Suez and its Belgian subsidiary Société Générale de Belgique. SGB rose as high as BFr2.225 before closing BFr20 ahead at BFr2.185, and the Bel-20 index gained 7.33 at 1.418.86.

AMSTERDAM was pleased by the indications that ABN Amro would not be a rival bid for Kleinwort Benson, and the Dutch bank rose 60 cents to F160.40 as the AEX index closed 2.29 higher at 432.86.
MILAN pulled back from the

day's highs after Mr Antonio Fazio, the Bank of Italy governor, said that credit politices would become tighter unless inflation was reduced by the end of the summer. The Comit index rose 8.61 to 615.42, while the real-time Mibtel index turned back from a high of 9,898 to finish 85 up at 9,842. Fiat, down 7.4 per cent since

company reported a lower firstquarter operating margin. intraday trade before settling to end L23 easier at L5,879. Mr Nicholas Potter at Cre-

Bourses recover as Suez affair keeps Paris busy

dito Italiano International said: There is nothing fundamentally wrong at Fiat but there is a lot of negative sentiment about the European automo-tive sector. Flat is certainly becoming more competitive, and while the hard currency block manufacturers are engaged in a price war Fiat has said that it is not interested in buying market share with no

Among insurers, Ras rose L186 to L17,578 and Generali picked up L575 to L38,889 as they joined a shareholder pact by buying shares in Pirelli & Cie, holding company of the tyre and cablemaker Pirelli.

ZURICH remained in the doldrums, the SMI index rising 2.1 to 2,800.2 with Corpus Christi holidays in parts of the country depressing trade. Registered shares in Swiss

quota at Yn2bn to Yn3bn.

Investors feared that the big-

ger quota would siphon off

funds from already listed

stocks and depress the market;

and that Beijing could pump

new shares into the market

any time it thought it needed

HONG KONG blamed profit-

taking as the Hang Seng index

cooling down.

Re, the insurer, advanced SFr8 to SFr918 ahead of the annual

remained intact.

SMH jumped SFr19 to SFr730. Ms Felicity Smith at ABN-Amro Hoare Govett, who first recommended the stock in February when the price was SFr605, has reiterated the recommendation. She said that the group's strong position in most of its brand segments should produce above average earnings growth this year and in 1996, and that the current multiple excluded this.

Ascom bearers picked up SFr20 to SFr1,470 on renewed foreign demand.

OSLO hit a new high as the bid battle for Norgeskreditt took the mortgage institution's shares up another NKr6 to NKr277. The total index rose 4.30 to 688.49 in hectic trade worth a total of NKr1.1bn. Takeover talk also lifted BN Bank, which gained NKr6 to NKr166.50. HELSINKI saw Nokia steady ahead of today's tertial results, after a couple of days' weakness, the A shares closing FM1 higher at FM209. But an excellent four months from Metsa-Serla fell on stony ground. The shares dropped FM2 to FM176 and the Hex index by 12.9 to 1,840.4.

ISTANBUL dropped 3.6 per cent on heavy afternoon selling, the composite index closing 1,878.1 lower at 50,466.63 for an aggregate, three day loss of 6.5 per cent. There were rumours, later dehied, that one of Turkey's leading broking houses had financial troubles.

Written and edited by William

colony, dropping it from neu-tral to underweight and saying

that its 8,800 year-end target

Warburg said that prices for

residential property had

remained stagnant, that com-mercial rents risked a 20 per

cent drop on looming oversup-

ply and weak take-up, and that

industrial margins were under

TAIPEI hit a new 14-month

low after late dumping of elec-

tronics stocks, although the

SEC urged pension and postal

funds to support the market.

The weighted index fell 53.65 to

EUROPEAN EQUITIES TURNOVER Monthly total in local currencies (bn) 64.08 18.10 22.09 152.25 125.64 186.23 187.27 54,807 27.30 33,064 24,50 19,85 1,213.64 80.80 1.062.36 1.104.50

The switchback ride by European equity market furnover continued apace in May with a steep 39.5 per cent rise, more than erasing the 34.7 per cent fall in April, writes Michael Morgan. A sizeable part of the improvement can be attributed to a fall in the number of public holidays during May. In Germany, for example, there were 22 working days compared with 18 in the previous month. Mr James Cornish at NatWest Securities notes that the recovery in turnover accompanied a satisfactory further increase of 3 per cent in the FT/S & P-A Europe index in May, after the 4.1 per cent advance in April. May's rise was helped by the 70 basis-point drop in the US long bond yield and a strengthening of the dollar. yield and a strengthening of the dollar. Turnover in European stocks traded on Seaq Interna-tional, the London, screen-based system, also rose, by

36.5 per cent, in May. Switzerland was the month's best performer, with turn-over rocketing 101.9 per cent to a level last seen in March 1994, and the index up 6.5 per cent. Falling interest rates drew domestic and foreign investors back to the financial sector, with SBC being reassessed after its acquisition of Britain's S.G. Warburg, and Swiss Re, the insurer, returning to focus in the light of its restructuring strategy. Equally important, investors were learning to live with the downward pressure exerted on the earnings of exporting companies by the strength of the Swiss franc against the delivered of the Swiss franc against the dollar and other European currencies.

### Fiscal measures hopes lift Nikkei as Shanghai drops

Hopes of additional fiscal measures, and a possible review of the securities transaction tax, gave a boost to sentiment, prompting afternoon buying which helped the Nikkel index to close higher, unites Emiko Terazono in Tokuo.

The 225 average finished 206.77 ahead at 14.867.26 after a volatile day which saw the index fluctuate between a low of 14,376.08 and a high of 14.867.26.

the futures market in the morning session, and cash stocks declined on arbitrage unwinding and profit-taking. In the afternoon, however, aging, by a cabinet member and a leader of the ruling coalition prompted short-covering.

Meanwhile, Mr Yoshiro Mori, secretary general of the Liberal Democratic party, the leading coalition member, said the government should produce effec-

the economy.

Mr Mori called for a review market. Share prices also

Property developers were had put the amount of the higher on Mr Mori's comments. The real estate sector strengthened 2.9 per cent, with Mitsui Fudosan advancing YII to Y945 and Mitsubishi Estate Y22 to Y584. Financials were also higher, with Industrial Bank of Japan appreciating Y40 to Y2.380 and Sakura Bank Y20 to Nomura Securities moved ahead Y20 to Y1,520 and Daiwa Securities Y33 to Y943.

Hedge selling pulled down

Volume totalled 320m shares,

against 257m. The Topix index of all first section stocks rose 11.70 to 1,208.03 and the Nikkei 300 moved forward 2.76 to 225.86. Advances outnumbered declines by 616 to 398, with 160 issues unchanged. In London the ISE/Nikkei 50 index added

Investors were encouraged by an announcement by Mr Kozo Igarashi, chief cabinet secretary, that the second supplementary budget, originally scheduled for the autumn, would be brought forward.

tive financial measures to help

of taxes on land and securities transactions to revitalise the stock market and enhance the liquidity in the property received a boost from separate reports that the coalition was considering creating a project team on financial issue

finished 102.77 or 1.1 per cent Exporters, which were hard down at 9,262.00, and turnover dropped from Wednesday's hit at the start of the week, HK\$3.7bn to HK\$2.4bn. S.G. Warburg revised its recgained ground. Matsushita Electric Industrial improved Y40 to Y1,280 and Sony Y110 to ommended weighting for the

Computer games software companies lost ground on reports that Softbank, a computer software developer and up a joint venture with Microsoft, of the US, to develop software for personal computer games. Worries over increasing competiton depressed Nintendo by Y200 to Y4,600 and Sega

Enterprises by Y140 to Y2,840. In Osaka, the OSE average put on 62.58 at 15,802.07 in volume of 9.2m shares.

#### Roundup

Wednesday's ebullience disappeared in Hong Kong, while the neighbouring Shanghai and Shenzhen markets tum-bled as the Chinese authorities planned to expand the A share markets for domestic

SHANGHAI As dropped 45.617 or 6.4 per cent to 670.376 and SHENZHEN's by 6.80 points or 5 per cent to 128.02 as China's securities authorities announced quotas to issue a total of Yn5.5bn worth of new

The decision marked the lifting by Beijing of a ban on issues and listings of new A shares, which took effect last July after the A share market fell to historic lows, weighed down by rapid market expan-

| Dollar | Index | Ind

168.33

200.60 186.50 106.72 146.46

### VIEWPOINT

Commerzbank's focus on German and European economic issues 6/95

### Germany forges links with the Visegrad states

- with the exception of the CIS - registered their first expansion since 1989. The Czech Republic, Hungary and Poland have made most progress with their reforms. Economic links with Western Europe are a significant factor in their restructuring process and here, thanks not least to its geographical proximity, Germany has a key

Last year, the economies of Central and Eastern Europe

JUST OVER A THIRD of the merchandise trade carried on between Central and Eastern Europe and the OECD states is conducted with Germany. In 1994, its exports to the four Visegrad countries amounted to DM28.5 billion, which was 15% higher than its deliveries to the East Asian newly industrializing countries and practically three times as much as its exports to China. At the same time, 9% of Germany's direct investments went to these four countries, up from only 0.5% in 1989.

THE OUTLOOK for the medium term is also bright. Current predictions expect the real GDP of the four to be 15% higher on average in the year 2000 than it was in 1988. By way of compari-

son, Russia will probably have half its 1988 level by that date.

5,360.09, turnover staying low

MANILA sold big blue chips

on bear sentiment and the

legal entanglement between

Ayala Land and Metro Pacific

over a land deal. The compos-

ite index slipped 27.97 to

SINGAPORE reported Euro-

pean buying, momentum pick-ing up in the afternoon session

and the Straits Times Indus-

trial index closing 15.56 higher

KUALA LUMPUR said for-

eigners and locals came in late

in the day in a repeat of

at 2.153.79.

OF THE VISEGRAD countries, the Czech Republic seems to have the strongest growth potential, as its balanced budget, small currentaccount surpluses and low unemployment rate provide it with a solid basis. Slovakia, easily the smallest of the Visegrad countries, surprised many last year with its relatively high growth of 6.4%. Its prospects are clouded. though, by high unemployment

Romania and Bulgaria) mark a ing as they do market access in the sensitive areas of steel and textiles, which is planned for 1996 and 1997.

Wednesday's pattern, the for-

eigners apparently encouraged

by reports that Mr Anwar Ibra-

him, Malaysia's finance minis-

ter, may have positive news on

liberalising the capital market

when he meets bankers and

fund managers next Thursday.

The KLSE composite index

KARACHI extended Wednes-

day's post-budget gloom, addi-tionally disturbed by reports of

the killing of 10 people in an

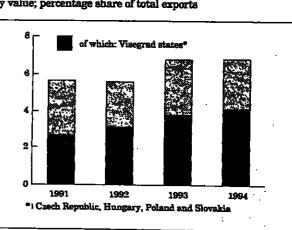
attack on a government office in the city. The KSE 100-share index declined a further 23.05

or 1.4 per cent to 1,587.80.

ended 8.47 firmer at 1.058.44.

IN THE LONG RUN, these agreements should lead to full EU membership. The European Commission recently outlined minimum requirements which are to help prepare the transitional economies for integration into the EU's single market. If good progress is made with reforms

German exports to Central and Eastern Europe by value; percentage share of total exports



its budget and current-account deficits, the outlook for Poland is somewhat less positive; however, the country has already recovered from the shock of transition. Sizeable deficits in both its public finances and current account are forcing Hungary to steer an austerity course. Nevertheless, its real GDP will probably have returned to its 1988 level again by the year 2000. OF COURSE, all four countries will have to make systematic

progress with their reforms in order to stay on their predicted growth paths. But their success in this respect will also depend on the West opening up its markets for their products. The association agreements with the Visegrad states (as well as with

and the budget deficit. In view of

entry negotiations should begin before the turn of the century.

GIVEN THE INCREASING significance of trade links for domestic economic growth, Germany is ultimately working in its own best interest by developing closer business relations with Central and Eastern Europe. Over the long term at least, other countries of the former Comecon possess considerable potential, which can also be tapped once a market economy system has taken root in the region.

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latest outlet to be opened in a representative office in Brati-

slava, the Slovakian capital.

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> response to labour market shifts? With the vast majority of workers outside the Nordic countries no longer in unions and collective bargaining much less common, companies ought to be in a strong strategic position to set "market-clearing" rates of pay, recruit more quickly and thereby reduce unemployment totals. But in practice this does not seem to be happening.

Mr David Marsden at the London School of Economics has produced an important paper\* (used as a source for last year's OECD jobs study) that seeks to answer the conundrum. He does so by arguing that management practices, particularly in their hiring and lay-off decisions, aggravate unemployment this being the price companies believe they must pay to ensure the employee stability needed to achieve corporate success.

"It may seem odd in a competitive economy that the management practices of firms could contribute to unemployment," he admits. "If prices and wages are flexible and firms are maximising profits, then they should normally hire as much Downside of stability in the workplace

ment practices freely adopted by firms and which detract from their performance should persist," he

But Marsden points out part of the difficulty stems from the tendency to "treat the firm as a black box and to abstract from the very real problems of enterprise management". He accepts that "in the com-petitive long run in which information is freely available this may be legitimate. However, enterprise management involves many problems in which information is incomplete, incorporated in workers' proctical skills or is used in small group bargaining relations." The most interesting part of Mars-

den's argument concerns his description of what he calls the enterprise's internal labour market, where companies fill their vacancles from among their current employees. He agrees this system provides an economical way of organising skill development" within a company, because it helps to ensure workers take a long-term

labour as workers wish to supply at the prevalling wage rates." view of their jobs by making their content more "firm-specific". It also strengthens the seniority principle and develops organisational competencies based on experience.
Inevitably, such an approach

makes it harder for workers to find employment elsewhere if they are displaced, and it limits the opportunities for new entrants to join the company, particularly in a recession, while older workers grow more expensive to hire as they lack "firm-specific" skills. Marsden explains that the high cost of building a reputation for employment stability, and the difficulty of rebuilding such a reputation when once lost, means companies will be reluctant to abandon their internal labour market regimes. And this is the case even where it might increase the informal bargaining power of the "insiders" who benefit from the security, whether unionised or not.

In the most convincing part of his argument, he points to the change in methods of production that make such an approach more attractive to innovative companies. The emergence of flexible specialisation in

work, and the growth in "lean" manufacture to replace mass production, has meant not only a greater demand for more varied jobs but also for fewer semi-skilled production workers and supervisors, less routine engineering and design work, more multi-skilling

and fewer professional skills.
It has also ensured that more companies have developed internal labour markets of their own. When linked to the spread of total quality management techniques, it has also placed a heavy emphasis on the need to ensure employee commitment to their company's goals through agreed trade-offs based on job security. Marsden attempts, not always as convincingly, to link the growth of corporate internal labour markets to the pattern of unemployment in various countries. He con-trasts the fact that while 55 per cent of jobless in Europe are long term, only 21 per cent are in Japan and 7 per cent in the US and the Nordic

Moreover while the average length of job tenure in the US in 1991 was 6.7 years, in Japan it was 10.7 years, in the UK 7.9 years,

City

10.4 years. While 38.3 per cent of workers in the US had been with the same employer for more than five years, the proportions were 45.0 per cent in UK, 57.6 per cent in France, 59 per cent in Germany and 62 per cent in Japan.

Marsden argues the persistence in the UK and France of organisational rigidities in work allocation with job demarcation mitigates against flexible work organisation, because it ensures greater job segmentation and rigid intra-organisational divisions. By contrast, Germany's workers have broad-based technical competences that avoid

these rigidities.
"German firms seem to have been able to build structures upon a system of occupational markets giving occupationally qualified workers a strong incentive to accept internal flexibility unlike the UK," explains Marsden, who adds: "A combination of employment stability and lack of sufficient internal flexibility could discourage employers from hiring new labour and 50 contribute to high unemployment duration."

of workers who feel less secure. While as many as 91 per cent of Marsden believes the answer is to them said they felt no more secure

in their jobs than they did earlier in the year, no less than 30 per cent feel more insecure now than then. The picture proved to be most dismal in the financial service sector, where as many as 44 per cent reported they were less secure now than in the previous quarter. The survey, carried out for the Msf technical union by the independent Quality Data Preparation, found pay and consultation were the other main issues of workplace angst after insecurity. But it also recorded a significant rise for the third quarter in a row in the numbers com-

plaining about pressure at work.

The highest levels of work pressure were suffered by those in financial services, the voluntary sector, health and electronics. The regional picture of insecurity in the UK labour market reveals some diversity, though an increase was recorded everywhere. Workers in northern England were most likely to feel less secure now than three months ago (47 per cent), followed by London (43 per cent) and Wales (37 per cent). The lowest increase in those feeling less secure was in east Anglia (19 per cent) and Yorkshire! Humberside (24 per cent).

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• There seems to be no sign that

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Please send full career details, quoting ref: 363, to our consultant Steve Clayton at JM Management Services Limited, Chandos House, 12-14 Berry Street, London EC1V OAQ.

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Arab National with extensive knowledge of international and local markets and well proven performance record including US/UK real estate, seeks suitable position, preferably in the US/UK or UAE. Please reply to: Box A5564, Financial Times, One Southwark Bridge,

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An opportunity has now arisen for a marketing executive to join this profitable and growing business. Responsible for all the investment banking between London and Turkey, the successful candidate will be dealing with shares for the bank portfolio, and have responsibility for co-ordinating and controlling foreign investor transactions.

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a national or foreign bank in London. Experience of emerging markets would be desirable but this is not essential.

Istanbul

Candidates should have a strong academic and professional track record. A competitive package will be offered to the successful candidate including an attractive relocation package.

If you are interested in this excellent career opportunity please send your curriculum vitae, in confidence to: Client Reference: CM320, c/o Arthur Andersen, 1 Surrey Street, London WC2R 2PS.

To maintain the confidentiality of the recruitment process, all responses will be forwarded, unopened to our client. Interviews will be conducted in London:

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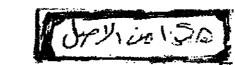
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### **KPMG** Corporate Finance

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Continuing in its pursuit of excellence, 1994 saw KPMG Corporate Finance complete the largest number of combined public and private transactions in the UK. The Group has developed a highly responsive team to meet the varied requirements sought by its clients. These include rapid assessment of potential acquisitions, advice on divestments, privatisations, a wide range of MBO work and a growing number of public company

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KPMG Selection & Search

strong analytical skills, and be able to articulate ideas and information effectively. Other attributes include creativity and flexibility together with

resourcefulness, enthusiasm and a sense of humour. A foreign language capability will always be regarded as an advantage.

Due to the high volume of our transactions, we can provide both early client exposure and the opportunity of working on the full range of corporate finance transactions in a diverse range of sectors. Just as we commit to a significant investment in your training, we will expect you to develop a swift understanding of our business. You will be additionally rewarded with a competitive salary and benefits package.

Interested candidates should send comprehensive CVs, together with salary details, to Anna Ponton at KPMG Selection & Search, 1-2 Dorset Rise, Blackfriars, London EC4Y 8AE, quoting ref. CF0910.

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INTERNATIONAL CONSULTANT Frank N. Magid Associates Ltd., the world's leading media consultant and market research firm, wishes to add an individual who has proven abilities in the areas of media, marketing and international business. This position involves providing and coordinating client consultation services, identifying prospective clients and establishing of new business, and maintaining knowledge of stateof-the-art media and marketing developments.

Qualifications for this position include experience in broadcast media, newspaper, an international advertising agency, or international business management. Strong writing and conceptual skills are essential, including the ability to interpret and develop strategic plans from primary research findings and to work effectively with a diverse and demanding clientele.

A degree or MBA in international business, marketing or finance, communications, journalism or advertising preferred. Five to ten years' experience in the television industry is a plus as well as fluency in German, Spanish, Italian, Mandarin or French. Qualified candidates should send a resume and three professional references to:

Amy Jo Reimer, Corporate Recruiter Frank N Magid Associates, 18 Maddox Street, Mayfair, London W1R 9PL

PAKISTAN - PRIVATIZATION COMMISSION (POWER SECTOR) RESTRUCTURING AND PRIVATIZATION PROGRAM

In 1992, the Government of Pakistan approved a Strategic Plan for restructuring the power sector in Pakistan. This plan envisages, inter alia, the reorganization of the Water and Power Development Authority (WAPDA) into a holding company with independent corporate subsidiaries for each of its thermal and hydel generation facilities, the ansmission and dispatch system, and the distribution Area Electricity Boards. The World Bank is assisting the Privatization Commission with the implementation of it's restructuring and privalization program through the Power Sector Development Project, and a Japanese Grant Facility.

In line with the objectives of the Strategic Plan, the Privatization sission needs assistance from individual management, technical and financial advisors to implement the overall privatization program, including (I) the regulatory framework, (ii) the introduction of commercial principles for electricity pricing, (iii) the corporatization / commercialization program, and (iv) the manpower transition program, which are being implemented simultaneously by the Ministry of Water and Power, WAPDA and the Privatization Commission. The advisors would be required to:

> interact with the Ministry of Water and Power, WAPDA and the consultants hired for (i) the technical and financial due diligence of the entities to be corporatized, (ii) the preparation of the management information systems for these entities, and (iii) other general activities required to implement the privatization program; supervise the financial advisors/underwriters to be hired by

> the Privatization Commission for preparing the financial valuation, privatization strategy and selection of investors for -prepare summary reports for approval by the Privatization Commission:

-assist the Privatization Commission in implementing the approved recommendations / plans.

Applications are invited from interested individuals, possessing the required qualifications and experience for the above me Financing will be under a Japanese Grant for which the World Bank is Executing Agency. The individual experts would therefore be appointed under fixed-term contracts with the World Bank. Pakistani nationals are ncouraged to apply.

. The applicants must have, as minimum qualifications, a Master Degree, or equivalent, from a recognized university and extensive working experience in their respective fields. Reference will be given to individual s with work experience in power utility companies. Interested candidates should submit applications, along with full

details of their academic qualifications and work experience by June 30, 1995 to:

Mr. Rashid Aziz The World Bank Pakistan Resident Mission P.O. Box 1025 Islamabad, Pakistan

Ms. Zoubeida Ladhíbi-Belk, Pr. Power Engineer Energy & Project Finance Division Country Department 1, South Asia The World Bank, 1818 H Street, N.W. Washington, D.C. 20133, U.S.A.

#### US/Canadian Government BOND SALESPERSON

The Investment Banking Division of a North American Bank seeks a graduate level salesperson with a minimum of 5 years recent experience selling US Treasuries and Canadian Government Bonds to Institutional Accounts, one year of which should have been based in either the USA or Canada, licensed in Financial Futures and acquaintance with regulatory requirements would be advantageous. Fluency in German essential. An established client base would be preferred. Salary will be commensurate to

Please reply to Box A5565, Financial Times, One Southwark Bridge, London SE1 9HL

PAKISTAN - WATER AND POWER DEVELOPMENT AUTHORITY RESTRUCTURING AND PRIVATIZATION PROGRAM

In 1992, the Government of Pakistan approved a Strategic Plan for restructuring the power sector in Pakistan. This plan envisages, inte alia, the reorganization of the Water and Power Development Authority (WAPDA) into a holding company with independent corporate subsidiaries for each of its thermal and hydel generation facilities, the transmission and dispatch system, and the distribution Area Electricity Boards. The World Bank is assisting WAPDA with the implementation of it's restructuring and privatization program through the Power Secto evelopment Project, and a Japanese Grant Facility.

In line with the objectives of the Strategic Plan, WAPDA need essistance from individual technical, financial and management experts / advisors to implement the corporatization and commercialization of the generating facilities, the transmission system, the distribution Area ards, and for WAPDA, the holding company. The experts would be supervise the consultants to be hired for (i) the technical and

financial due diligence of the entitles to be corporatized, (ii) the preparation of the legal framework and corporatization documents for the respective corporate entities, and (iii) the preparation of management information systems for these -prepare summary reports for approval by WAPDA

-assist WAPDA in implementing the approved dations / plans.

 Applications are invited from interested individuals, possessing the required qualifications and experience for the above mentioned posts.
 Financing will be under a Japanese Grant for which the World Bank is executing Agency. The individual experts would therefore be appointed under fixed-term contracts with The World Bank. Pakistani nationals are The applicants must have, as minimum qualifications, a Master

Degree, or equivalent, from a recognized university and extensiv orking experience in their respective fields. Reference will be given to individual s with work experience in power utility companies.

5. Interested candidates should submit applications, along with full

Mr. Rashid Aziz Project Advisor The World Rank Pakistan Resident Mission P.O. Box 1025 Islamabad, Pakista

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Ms. Zoubeida Ladhibi-Belk, Pr. Power Engineer Energy & Project Finance Division Country Department 1, South Asia The World Bank, 1818 H Street, N.W. Washington, D.C. 20133, U.S.A.

### **SENIOR** FRA TRADER

SE Asian Currencies

City based

Our client is the investment banking arm of a major financial services group. Their Treasury department is now seeking a senior FRA Trader with at least six years' experience including trading in Far Eastern/Exotic

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With a sound knowledge of the economies and cultures of

To apply, please write with your CV, quoting ref. 218. to: Alastair Lyon, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London

Your application will only be forwarded to this client, but please clearly indicate any organisation to which your details should not be sent.

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### **Energy Desk Broker**

c£40,000 + bonus

Our Client provides quality broking and order execution services to professional Hedgers and Traders within the international oil markets. Well capitalised and with access to all the world's major Energy Futures Exchanges, they now wish to augment their office based team.

Candidates, with at least 3 years' experience as a floor or office based Salesperson, must be aniculate and ambitious, have well developed customer relationships and a proven track record in histness development.

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Deloitte & Touche Eastern Europe, part of Deloitte Touche Tohmatsu International, is the largest and fastest-growing professional services firm in Eastern and Central Europe. As our Financial Institutions Consultancy and Audit Practice, currently located in over 20 cities in 15 countries, continues to grow we seek to recruit several experienced professionals to play leading roles in guiding its development,

Senior Banking Professional, Director - Budapest

Excellent + relocation package

The successful candidate will join our Financial Institutions Centre, providing financial industry expertise to practices throughout Eastern Europe. Your brief will be to develop all areas of their business through identifying opportunities, delivering client service, and developing national

and expatriate stall at all levels. You will be a senior banker or consultant who is probably already working at Director or Partner level. With at least 15 years' varied management experience across the banking industry (ideally including securities and

insurance) you will be able to demonstrate success in developing and implementing major initiatives. Your specific areas of expertise will include; commercial and retail banking

(investment banking experience a plus), credit, operations, foreign exchange, treasury, trust, securities processing and investments, finance and administration. Extensive travel required.

Securities & Banking Consultants

-- Moscow and Eastern Europe LExcellent + relocation package

Joining our Financial Institutions Group you will work closely with existing regional teams to develop our consultancy business with financial institutions in the C.I.S. through identifying opportunities, delivering client services, and developing our professional staff.

You should be a Senior Level Consultant or related industry practitioner with at least 7 years' experience in securities, commercial and retail banking and/or insurance, who is able to demonstrate success in developing and implementing initiatives in these disciplines.

Your specific areas of expertise will include: brokerage operations, commercial banking, securities processing, custodial services, investment management, investment banking, trading, trust, funds and derivative products.

Strong communication and interpersonal skills are critical for both positions, as are a sense of adventure, a commitment to quality and a willingness to travel extensively throughout their respective regions. Prior experience in emerging markets would be very valuable. English is the common business language throughout the area - other appropriate language skills are a plus, but not essential. If you meet the requirements and are interested by these exciting and

rewarding opportunities, then please forward a copy of your CV (preferably via fax) to: R. Todd Rossel, Director of Human Resources, Deloitte & Touche Eastern Europe, Tynska 12, 110 00 Prague 1, Czech Republic.



#### **Junior Portfolio Managers Equity/Fixed Income**

Fax: +42 (2) 232 6369 or 232 5213.

Our client, a Leading International Investment Bank, based in Zurich seeks individuals with:

Excellent knowledge of modern portfolio theory Good skills in risk management/controlling Fundamental research background would be beneficial 2 - 4 years' experience in single currency portfolio management (European or other) Age preference mid 20's - early 30's

Excellent remuneration packages

Please contact:

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Anderson, Squires GmbH, Niedenau 41, D-6035 Frankfurt, Tel: 069-723153

Following the relocation of its head office, this international media group (North America, Europe, Asia) is seeking to recruit dedicated finance and legal professionals to join its high profile team BASED IN PARIS

### **Consolidation Manager**

Reporting to the CFO, you will control all aspects of the monthly and annual consolidated accounts based on CICA and FASB standards. The role involves extensive liaison with the 30 operating subsidiaries in order to further enhance reporting standards and controls. In addition you will be responsible of a major systems implementation project to install a HYPERION consolidation software nackage.

You will be graduated chartered accountant or CPA with a minimum of five years experience in a group environment. (Ref. EG12001)

### Treasurer

Reporting to the CFO, you will have responsability for all banking relationships and the management of the banking facility. You will maintain the group treasury budget and develop and control all aspects of treasury reporting within the subsidiary companies. You will be of graduate calibre and have significant treasury experience gained either in a banking or commercial environment.(Ref. EG12003)

### Accounting Assistants x 2

Reporting to the consolidation Manager or to the Financial Planning Manager, you will be involved in all aspects of group reporting including consolidation or financial planning. You will be a graduate recently qualified accountant from either public practice or industry. (Ref. EG12004)

### **Legal & Business Counsel**

Reporting to the President and the CFO, the successfull candidate will be responsible for all the legal matters. Your key responsibilities will include the ability to work on a wide variety of legal issues (M & A, compact, litigations, corporate law, ...) in a worldwide context as an adviser for the company. Candidates should be graduates with three or five years post qualification international legal experience in an international law firm or in commerce/industry. Candidates should be mobile. (Ref CD11907)

For all these jobs, a good command of French is required.

Interested applicants should forward a comprehensive curriculum vitue stating salary expectation, to Eric Gandiblen, Michael Page International, 3 boulevard Bineau, 92300 Levallois-Perret, FRANCE Fax: +47 57 39 18

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### Manager – IT Accounting

### Control our investment in leading edge IT

c.£45,000 + benefits Central London

#### A background of success

As a company, we've been highly successful in growing our UK financial services business over the last year: premiums up by over 50% and PBT up by over 80%. We now have 1.5 million clients, 4 million policies and £2.6 billion under management. Investment in advanced IT the latest generation of processors, lap-top and palm-top technology, even robotics - has underpinned our success. We are committed to a continuing programme of development with a projected budget in excess of £20 million: this year's plans include the migration of our life systems and the purchase and implementation of a new general ledger.

#### A need for control

The effective management of this investment calls for improved information and an emphasis on control. To that end, we have created this new role with responsibility for the finances of our IT department. Reporting to the IT Director, with a dotted line to finance, you will initially focus on the development of a cross-charging/cost allocation system and on a methodology for refined project monitoring. On a day-to-day basis, you'll also be responsible for our budget and expenditure control and you'll support our plans for capital expenditure and alternative financing.

A chance to apply your expertise

You are a qualified accountant, you may be in or have come from consultancy, and you work closely with a sophisticated IT department. You have already worked in a cross-charging environment and you may even have been involved in the development of the approach. You certainly have an in depth understanding and you're confident you can support our plans. You are project orientated and you enjoy juggling competing priorities. You're pretty self-sufficient (although you also enjoy being part of a team) and you're considered one of the brighter sparks in your current company.

#### An opportunity to develop

Get it right and we'll give you the chance to go places. We may create a standalone profit centre and you could run it. We may seek to sell our expertise on the open market. There will always be a route for you to develop further in our Finance Department. The first step on that road is to convince us that we should meet. Write with your full CV and salary details, quoting reference D/0059/FT to our advising consultant:

Mark Hartshorne, Executive Search & Selection, Price Waterhouse. No 1 London Bridge, London SE1 9QL.

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### Financial Controller - Germany To DM 100,000 + Relocation Assistance

### Kiel, Northern Germany

shipping services subsidiary of a leading UK group with international interests in shipping, commodity trading, hotels and agency businesses.

The German operation has historically provided services to vessels navigating the vital waterway between the Elbe and the

They now provide a wide range of services, including ships husbandry, liner operations, vessel care and warehousing to a wide variety of vessel types. More recently, operations have expanded to include the supply of provisions, stores and bunkers to

owners and vessels world-wide.

An exciting opportunity has now arisen to point a Financial Controller to this medium-sized company with full responsibility for financial management.

The position reports directly to the

Managing Director. The role is hands-on, supervising a small team of accounts staff. Responsibilities include annual and monthly reporting, budgeting and cash flow management, control of computer and office systems, credit control, taxation, banking and provision of ad-hoc information for the Managing Director There will be Managing Director. There will be considerable contact with operational staff within the company and liaison with the UK

**GMS** 

GOODMAN MASSON SHAW Financial Search and Selection

Applicants will probably be qualified accountants and should be aged 28-35 with at minimum, reasonable fluency in German. You should have several years experience in a commercial or industrial company and any work experience in Germany or shipping industry experience would be an advantage Prospects are good with possible progression to Senior Management. Additionally, the Kiel area is well-known for its extensive sailing and golf facilities.

Please send your CV to Goodman Masson Shaw, 2 Bath Street, London EC1V 9DX or fax it on (44) +171 336 7722. Alternatively, for a detailed and Mark Masson on (44) +171 336 7711 (Evenings/Weekends (44) +171 372 5952).



### The World's most powerful brand? **BUSINESS ANALYST**

#### Essen, Germany

#### **Excellent package and bens**

The 4th most valuable company in the USA, a 46% share of the world's soft drinks market, 11% overall growth last year: Coca-Cola's record is outstanding. Renowned for the quality of its products, marketing and management, the company seeks a young, ambitious Business Analyst for its largest European division.

A superb entry point to Coca-Cola's international operations, this is a central role in the financial consulting team, working with European business functions, subsidiaries and German licensees and liaising extensively with the US parent company. Initial responsibilities include the assessment of new products and projects from an investment viewpoint and the development of a cost-information system, making market pricing recommendations. Focusing on sustained, profitable growth, the role also involves the strategic assessment of new investment opportunities.

A high-profile position, success will depend on energy and enthusiasm, strong technical expertise and good communication skills. With its reputation for excellence and a rigorous selection process, Coca-Cola seeks self motivated individuals with a record of academic achievement - either an Economics degree or MBA with a finance/accountancy specialisation - and 2-3 years' professional finance experience. Qualified accountants seeking to move out of a major international practice will be of particular interest.

Candidates must be strong team players, fluent in German and English, with project management experience and good computer skills. Offering an attractive salary package, this role is a stepping stone to an international career with one of the world's most successful

Interested applicants should send or fax their CV, quoting ref. 116, or contact us on 44 171 242 9191 (weekdays), or 44 181 948 1571 (evenings and weekends). Note: Any CVs sent direct to Coca-Cola will be forwarded to Alderwick Consulting Ltd.



SEARCH & SELECTION 95 FETTER LANE, LONDON EC4A 1EP TEL: 44 171-242 9191 FAX: 44 171-242 3560

#### **Special Projects Manager** Central London £35,000 plus benefits

Our client, a multi-disciplinary service sector organisation, is currently in the process of implementing a fully integrated financial information system. They require a qualified accountant to project manage the Implementation of SunAccount financial systems within the Head Office and regional offices. Candidates will need to have had "hands on" experience of implementing SunAccount financial systems, demonstrate an ability to train unskilled users and be able to liaise effectively with non-accountants.

The main project is likely to last for 12-18 months, after which further project work or line management. interested applicants should send a C.V. or alternatively ring 0171-831 7393 quoting reference no. 3074 to:



John Silk **Executive Recruitment Services** Pannell Kerr Forster Associates New Garden House 78 Hatton Garden, London EC1N 8JA MANAGEMENT CONSULTANTS



#### INVESTIGATIONS London Base to £35,000

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Corporate governance and regu lation is a growth area of the and several high profile financial scandals, have emphasised the ctivities. We have identified ints, lawvers and fund managers with highly developed investi gative skills, to work in multisciplinary teams at some of the

#### **AMBITIOUS ACA** Surrey to £32,000 + Car

This vacancy will appeal to large firm trained ACAs who wish to highly profitable and rapidly medium sized industrial com ony whose spheres of activity ectors. Candidates, preferably arred 27-35, will need better than rerage technical, computing and interpersonal skills receiber

#### F.D. POTENTIAL

S. East £32,000 + Bonus This acquisitive manufacturing group, with substantial US interests, seeks a young ACA with one year's post-qualification expengained within a multinational company. The role involves arguificant analytical and technical responsibility m a Micro Control environment, offer ng extensive exposure to semio nagement workiwide. Caree

For further information please telephone on 0171-831-2323 or send your CV to Hudson Shribman, Vernon House, 2OH. (Fax No. 0171-404-5773).

Hudson Shribman financial recruitment

#### **APPOINTMENTS** WANTED

#### ACA/MBA Madrid based

Seeks position managing expansion of international group in Spain/Portugal.

Tel/Fax: +34 (9) 1 5195717

### Finance Director

#### Thame, Oxon

£45,000-£50,000 + Bonus + Car

Our client is the well established UK subsidiary of a Swedish group manufacturing capital goods. The UK business is strongly focused on sales and service and has a turnover approaching £20m with 150

A key member of the management team, the Finance Director will be responsible for developing the finance function to provide sound and supportive commercial advice to the Profit Centre Managers, thus enabling the business to be developed effectively.

■ Candidates should be qualified accountants probably in the age range of 33-45 with senior level financial management experience gained within a high unit-valued sales and service

oriented environment. The successful individual will be able to demonstrate good staff management skills, systems implementation experience and ideally have been used to reporting to a parent company. It is essential that you can communicate well both throughout the business and externally to the parent company and major clients.

FINANCIAL TIMES FRIDAY JUNE 16 1995

Please write outlining your relevance to the appointment and enclosing a curriculum vitae, including current remuneration details, to Carrie Andrews at Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference CA644.

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### Financial Analyst

London

c£40,000 pa Plus Substantial Bonus and Car

Our client is a multi-national group providing high quality and cost efficient specialist support services to industrial, commercial and public sector customers, primarily in the UK, Europe and North America.

As a result of recent internal promotions this high profile opportunity has arisen. You will be a part of a small Head Office team responsible for all especis of the planning process working closely with senior group and subsidiary management. Specific responsibilities include:

- Ensuring that business plans are well constructe
- Review of operational performance, including ensuring that all group financial policies and reporting procedures are followed.
- Supporting Group Management in all aspects of the Capital Investment decision
- Continuous and pro-active commercial and analytical support to Senior Operational and Group Management.

You will be a Qualified Accountant with broad financial managent strong financial planning and analysis experience gained within a blue-chip international environment. Additionally you will be:

- Highly analytical with considerable initiative as well as excellent
- Able to rapidly identify the key drivers within a diverse range of busines

 Personally, technically and commercially credible at all levels. To explore this challenging opportunity further you should write to Karen Wilson at Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London, EC4A 1DY enclosing a recent C.V. and a note of current salary quoting Ref.



EXECUTIVE SEARCH AND SELECTION



### **Financial Controller**

"....to be the World Leader in Imaging"

#### West London

With a turnover in excess of \$13.5 billion worldwide, Kodak is a global international force with a diverse product range and extraordinarily high performance standards. Dramane growth in recent years has been achieved by substantial investment in the development of new and existing brands.

Within the Group's European, African and Middle Eastern Headquarters based in West London, an opportunity has arisen within the high profile Consumer Imaging Products Division. Reporting directly to the Business General Manager and functionally to the Finance organisation, the position provides the critical link between general and financial management within the comorate matrix structure

The focus of the role is to maximise the Division's value by driving for profitable growth and optimising controllable assets utilisation. In addition, responsibilities include financial planning and analysis, interpretation of results, development of pricing strategies and provision

to £45,000 + Car + Bens

of business and financial consultancy advice for the

This is a unique role combining the strategic with the operational which requires demonstrative ability to adopt a hands-on approach to the business and the intellectual capability to contribute to strategic decision-making. Candidates aged 30-40 must be graduate qualified accountants or MBA's with a successful track-record gained in a pan-European FMCG environment. Equally important are the personal qualities of clear commercial vision and excellent management and communication skills. Fluency in English is a pre-requisite whilst working knowledge of other European languages would be useful but not essential. Interested applicants should forward a comprehensive CV

including current salary package and daytime telephone number to Gary Watson, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH quoting reference 236799.

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### **GROUP FINANCE** DIRECTOR/CFO

London

£70,000 + bonus + car + benefits

international"

Our client is an international management consultancy group with an outstanding portfolio of multi-national corporate clients. Growing at 30% annually and with offices in 11 of the world's major commercial centres, its innovative methodologies and its dedication to improved client business performance have necessitated a reinforcement of its financial management and administrative

The appointment of a top-flight CFO is key to managing its continued profitable growth. The CFO will work closely with the Chief Executive and take full responsibility for all finance and administrative functions. In addition to controlling the financial and management accounting processes, the successful candidate will be expected to take an innovative approach to the management of all costs and billability. Systems strategy, treasury policy, fiscal efficiency, local compliance and Company Please quote reference 54933.

Secretarial matters will also fall within his/her sphere of responsibility.

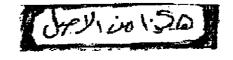
Candidates should be Chartered Accountants of graduate calibre, probably in the 35-45 age range. They should have in-depth experience of all aspects of financial management and control, ideally gained in a consultancy or professional services environment, and should be familiar with international financial reporting. We are looking for a proactive leader, with strong communication skills, high energy levels and the desire to work within an environment which will be continually subject to change and growth. Strong commercial awareness and Board Room credibility are also

Please write, in confidence, with full career and salary details, to Paul Carvosso, MSL International Limited, 32 Aybrook Street, London W1M: 3JL

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Highly profitable PLC. Acquisitive market leader. Essential- pro-active, pragmatic F.D. Major multi-Head Office/Central Support Services.

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> Commercially astute, absolute focus on detail and maximising company and individual performance Skilled manager and communicator, thriving in fastmoving sales/distribution environment.

> All applications will be treated in confidence Please apply in writing enclosing a comprehensive C.V (quoting rel R6023) to :

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Gunness Browing Worldwide (GBW) has an unevalled product particle and a turney er of \$2 billion little one of two core businesses, within Guinness PUC, a leading force of the global drinks murket place.

V

Instrumental to the future success of GBW is the Business Development appartment, it is responsible for provising advice and support to the Brewing Division in developing its worldwide strategy, and resolving specific strategy issues. This is achieved by analysing compensor/market activity, providing insight and recommending appropriate actions.

- - providing financial analysis on possible acquisitions, joint ventures and other business opportunities
- managing the annual strategic plan process. As Business Development Analysit, you will join a high-profile toom working in these important areas in identifying key business stratogy issues and opportunities worldwide.

A Courlined Accountant with 5 years' preven analytical and commercial experience within an FMCG organisation, you will possess well developed spreadurest modelling skulls and a flewble approach to problem solving. Additionally, you will demonstrate a strong combination of professional skills and personal qualities including –

- maturity, credibility and strong interpersonal and presentation skills a results-prentated approach and the ability to manage and interpret large amounts of complex business data, white focusing rapidly and accurately on the key (saues
- self-mot vation, tenacity and resilience

To apply, write to our advising consultant Karen Wilson at Hoggert Sowers, 1-9 Breams Buildings, Chancony Lane, London EC4A 107 Enclose your CV and details of your current salary, Quote reference HKW 10141 FT

GUINNESS BREWING WORLDWIDE LTD.

### **BUSINESS** DEVELOPMENT **MANAGER**

### Leading Edge UK Retailer **Highly Attractive Package**

Vision, commitment and energy are qualities that have transformed this dynamic UK plc into a recognised leader within the fast moving retail sector. Its impressive performance results from the ability to implement change, launch product innovations, address operational issues and attract ambitious individuals keen to contribute positively to business performance.

Exceptional growth plans coupled with a determination to improve market share, have led to a requirement for an outstanding individual operating at the core of the organisation. Working as an integral member of a highly focused team, specifically you will:-

- Provide value added financial support and guidance by identifying key trading issues and developing relevant strategic initiatives.
- Be responsible for business and operational planning and performance enhancement across a wide range of indicators.
- Actively develop new business opportunities and project manage assignments to deliver improved trading and operational results.

Suitable candidates will have outstanding qualities. You will have a blue chip background and a strong academic record including ideally an MBA or professional qualification and have the necessary personal qualities to deliver in a demanding and complex organisation. You will demonstrate high motivational qualities, a strong commercial outlook and be capable of inspiring confidence at all levels. You will be rewarded by a truly progressive career.

Interested candidates should write to Michael Herst or Charles Austin at Herst Austin Rowley, 30 St. George Street, London W1R 9FA, enclosing a full Curriculum Vitae and quoting reference HAR717.



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### financial controller

#### tashkent. uzbekistan

young qualified accountant

russian/turkish speaker

excellent terms and conditions

An opportunity with a diversified US multinational committed to significant expansion in all major Central and Eastern European markets.

The position requires maturity and business sense in order to deal at a senior level with operational management of the food distribution business.

We need someone with the confidence and technical skills to sharpen up reporting and controls. We are looking for a tough, pragmatic person but someone not above handling the routine administrative tasks.

Over the next few years continuing expansion of Eastern European operations will necessitate increasing attention to cross-business issues and the financial controller will assist the General Manager in handling all major projects, alliances and strategic developments.

Reporting to the General Manager and deputising for him in his absence, key responsibilities will include:

- US GAAP reporting, planning and budgeting
- foreign exchange, treasury and contract accounting
- strategic issues and business advice to management
- maintenance and development of financial systems
- potentially some responsibility for purchasing

The company is a meritocracy and good performance is rewarded with excellent long-term career development. Please telephone us to find out more about this and other opportunities in Central and Eastern Europe.

#### farn williams

Please send CV, reft 0372 to recruitment specialists Farn Williams, 1 Benjamin Street, London EC1M 5QL. Tel: + 44 (0) 171 608 1133 Fax + 44 (0) 171 608 1166

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To £50k + excellent benefits package

### FINANCIAL CONTROLLER

#### **Information Management Solutions**

As the rapidly growing UK subsidiary of a successful US technology services company, which concentrates on the utilities, higher education and more recently, the manufacturing markets, our client specialises in advanced application software products and services. Established 18 months ago in the UK, they are targeting the utilities sector and have already achieved considerable success in this market, by securing a number of contracts with leading UK utilities companies.

The growth in the UK has created a need for a Financial Controller to establish and develop a finance function for the UK and European operations. A key member of the management team, you will take full responsibility for all aspects of the finance function including financial accounting, management reporting, planning, forecasting and budgeting. Of primary importance will be the migration of the existing UK financial reporting systems from the US to this autonomous subsidiary.

Reporting to the European Managing Director, you will provide strong financial guidance and take an active role in contributing to the strategic direction of this young sales and service driven organisation.

A qualified accountant, you are likely to have worked in a complex project environment, holding accountability and responsibility for the full financial administration function. With a strong business orientation, you will be entrepreneurial in approach and comfortable in a client-facing role.

If you are interested in this opportunity to establish, define and manage the finance function in a dynamic and team-orientated environment, then please fax or send your CV quoting reference number 11702, salary details and where possible, daytime telephone number. to the advising consultants, Goodman Graham & Associates, 8 Beaumont Gate, Shenley Hill, Radlett, Herts WD7 7AR, Fax: 01923 854791.

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To £85,000 package + options + benefits **Group Finance Director** A highly profitable, well-respected and expanding computer services group now wishes to appoint a Group Finance Director to provide commercial support to the Board as the business continues to grow and develop in the UK and overseas. Challenging role which requires first-

class technical skills and an appreciation of how a finance professional can add real value

across a business. Working with the main Board with responsibility for the financial management and control of the business, supported by a small head office team, and the building of

effective relationships with divisional MDs. Ensuring that the funding and capital structure of the business evolves to support growth, liaising with financial advisors.

Assessing the quality and relevance of management information. Evaluating and integrating acquisitions worldwide.

Selector Europe

THE QUALIFICATIONS ■ Dedicated finance professional aged 35+, with outstanding technical accounting and funding skills and experience in a fast-moving, evolving sector,

First-class analyst with the gravitas, confidence and credibility to support and influence operational management.

Strong communicator, able to express complex financial concepts clearly and concisely.

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### FINANCIAL CONTROLLER

Based: Mombasa, Kenya

East Africa Tea Business

CDC is a UK statutory corporation which assists or equivalently qualified member of an countries in the development of their economies through investment in both new and existing enterprises. We have built up our investments in tea in East Africa over the last ten years and are now consolidating five previously independent companies with a combined projected turn-over of £7.8m into an integrated business.

This is a crucial role, vital to the success of this. new initiative. As Financial Controller, you will be responsible for the financial control of the East Africa Tea Business, supporting and advising the General Manager. You will be closely involved in marketing and sales policies, co-ordinate the five companies' plans and budgets and produce consolidated and integrated plans and budgets for the business. You will be responsible for coordinating the training and development of the finance staff for all five companies and also manage exchange rate fluctuations.

We are seeking a Chartered Accountant

includes generous expatriate benefits, including private health insurance and assistance with school fees. To apply please write with a full CV giving details

internationally recognised accountancy institute

with at least five years experience at senior level

within a commercial organisation as Financial

Controller. You must have had previous line

responsibility for monthly accounting and

budgeting. In addition corporate planning

experience and familiarity with a corporate treasury

function is essential. Previous experience in soft

commodities and of living in a developing country

package that reflects the seniority of the position and

In return we can offer a salary and benefits

would also be highly desirable.

of your current salary and benefits package to: Ian Gill, Personnel Manager, CDC, One Besshorough Gardens, London SWIV 2JQ, United Kingdom. Fax: the Treasury function, minimising exposure to 44 71 8286505. E Mail: igil@mail.london.cdc.co.uk.

Please quote reference number: Serial 2461. CDC is an equal opportunities employer.

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### GROUP ROLE - FAST TRACK



Thom EMI is the publicly quoted parent company of a diverse international group. Its strategy is to focus on consumer related businesses with world-class competitive strengths. The group's principal businesses, EMI Music, THORN Rental and HMV, have demonstrated their success by building international positions in their respective

The group reporting department has long been recognised as a platform from which many financial executives have developed successful careers throughout the organisation. A key role has been identified to focus on the following areas:-

Competitive Package including FE Car + PRP

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· Planning and execution of the year-end process. Analysis and preparation of the monthly board reports.

· Acquisition and disposal administration involving close contact with senior

Development of management and financial reporting systems.

Dealing with ad hoc projects.

The successful candidate will be a graduate ACA/ACMA, with approximately 2 years PQE. Either Big 6 or industry trained, you will be able to demonstrate a clear record of achievement, good commercial and technical skills and an ability to deal effectively across all levels and functions. Excellent Interpersonal skills needed. First promotion can be expected within 18 months to 2 years.

Please write with full CV, quoting ref: VS1205, to Vikki Sly at Robert Half, Princess Beatrice House, Victoria Street, Windsor SLA 1EH. Telephone 01753 857777 (24 hour answering service), or fax details on 01753 841676.

As retained consultants, any CVs submitted directly to our client will be forwarded to Robert Half.

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### **FINANCE** DIRECTOR

**MEDIA SERVICES** 

London

c£55,000 + Car + Benefits



Recognised as a market leader in the provision of a distinct range of advertising and media services, this organisation has consistently demonstrated an ability to provide high levels of creative and innovative. support to clients across a range of business sectors.

The future growth and profitability of the company allied to further opportunities to increase its market share has led to the need to appoint a Finance Director who will play an important part in the implementation and execution of this strategy.

Key tasks of the appointment will be:-

- To provide a professional and effective finance and administrative function designed to clearly monitor, control and add value to all aspects of the business.
- Create and innovate ways in which finance can analyse and critique all business driven issues, with particular. focus on client and market related activities.
- To become increasingly involved in commercial management and take direct responsibility for departments other than sales.

As a qualified Accountant. you will already have worked at a senior level within a . commercially focused finance role, and be capable of working in an environment that is characterised by a competitive and clearly focused sales and marketing approach gained from within either a service or business to

Interested candidates should: write to Charles Austin or Michael Herst at Herst Austin Rowley, 30 St George Street, London W1R 9FA, enclosing a full Curriculum Vitae and quoting reference HAR800.

business sector.



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### FINANCE DIRECTOR

SOUTH OF ENGLAND

Our client is an ambitious and expanding £400m company, part of a quoted British PLC, with group revenues approaching £2 Billion. The company is a third party distribution business providing a high frequency and quality service to major retail, manufacturing and FMCG customers through four operating subsidiary divisions.

The development strategy and future expansion plans for the business requires the appointment of a Finance Director. Reporting to the Chief Executive and managing a small team, the appointee will ensure the provision of all financial management and systems for the control and development of the business. Strategic planning

and group reporting to the highest standards are equally critical

Responsibility will encompass commercial and investment appraisal. auditing procedures, property acquisition, contact negotiation and financial presentation.

Candidates, preferably Chartered Accountants, must have around 10 years post qualification experience gained in a substantial service business, manufacturing, FMCG or retail sectors.

Key attributes must include commercial acumen and influencing skills with proven ability to negotiate, team work, challenge and

> ROBERT WALTERS ASSOCIATES

TO £70,000 + BONUS + CAR

build close and trusted working relationships at all levels. The company and group offer an excellent career opportunity and stimulating management environment. The remuneration package is very competitive and will include a significant performance element in addition to basic salary and a range of senior level executive benefits.

Interested applicants should write, quoting Ref. JSA 06/101, enclosing career details to: Robert Walters Associates, 25 Bedford Street, London WC2E 9HP. Telephone 0171 379 3333.



#### EUROPEAN FINANCIAL CONTROLLER

Turin Based

**Attractive Salary and Benefits Package** 

Eaton Corporation, with a turnover of c. \$6 billion and more than 50,000 employees, is a global market leader in the field of advanced technology products for the vehicle components, capital goods, industrial and commercial markets - more than 80% of all products rank either No. 1 or No. 2 by sales in the markets they serve.

Owing to the continued success and expansion of the European operations, an exciting opportunity has arisen for a Divisional European Controller, within the Engine Components Division.

Based in Turin, you will assume overall responsibility for the divisional accounting function in Europe, reporting to the General Мападет.

This high profile role encompasses:

- Preparation of the annual profit plan and 3 year strategic plan
- Business planning
- Managing the development of effective reporting systems in line with European and US GAAP requirements
- Divisional financial reporting (local reporting is carried out by plant controllers)
- Developing an ever-more integrated European business and encouraging a truly international perspective to emerge. Applicants will be graduates with a recognised professional qualification (CPA/ACA/ACCA/ICMA) and 10+ years experience of

international manufacturing environments. Business fluency in English is essential, and Italian and some knowledge of German and Spanish, although not essential, would be an asset. Familiar with both European and US GAAP, the successful applicant will possess an international perspective to match the profile of this role. Relocation mobility within Europe is essential and knowledge of Italian fiscal accounting is highly desirable.

Future prospects are outstanding, both regionally and globally, in an expanding international company. Relocation assistance will be provided where necessary. Remuneration will not be a barrier for the successful candidate.

If you can meet the requirements of this challenging role, please telephone or write to Jeremy Williams, quoting reference JW/EC. All resumes submitted independently to Eaton will be forwarded to Lloyd Morgan,

Telephone: 44.171.404.5591 Fox: 44.171.430.2393

LLOYD MORGAN Africa House, 64-78 Kingsway, London WC2B 6AH

management of the business and for driving forward business performance

### FINANCE DIRECTOR

#### Designate

Our client is a high profile division of a large and

respected quoted UK PLC, which has built an

enviable reputation for its entrepreneurial culture as

well as its strong financial and commercial

management. The Group, despite a tough market,

has an impressive record of growth over the last

decade, and has firmly established itself as a

market leader and arguably the most successful

performer in their particular sector of the

housebuilding industry. With a strong balance sheet

the company is poised for further significant

Reporting to the Managing Director of this

autonomous division and as a key member of its

small management team, the Finance Director will

be expected to play a major role in the commercial

Bucks/Berks

efficiency. Bringing excellent technical and analytical skills to the business, the Finance Director will be responsible for the full finance function. This will include ensuring tight financial management, reporting and control, and additionally for the

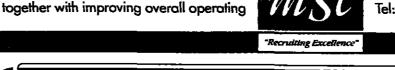
Candidates must have a keen commercial awareness, and be able to positively influence business strategy. They must be qualified chartered accountants with strong leadership skills and are likely to be aged 33-40. Personal attributes will include confidence, possession of strong interpersonal and presentational skills, and a hands on management style.

budgeting, planning, costing, and ad hoc projects.

to £40.000 + Car + Bens.

Interested candidates should write enclosing a full CV with current salary details to; David Rush, Director

Management Selection Consultants Ltd, 11-12 Hanover Square, London W1R 9HD. Tel: 0171-495 7711.



#### Over the past decade Anglia Oils (current turnover £170m) has firmly established itself as one of the most successful and profitable companies in its market sector. They are a

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c€35,000 plus Bonus up to 25% of salary, Fully Expensed Car, Non Contributory Pension/Healthcare, Relocation Assistance

BROOKS

world leader in the fast growing speciality oils market as well as being one of Europe's leading producers of palm and commodity oils. As the largest operation within a publicly listed Danish multi-national, they enjoy a high level of autonomy and freedom in the running of the business and its ongoing strategic development. Ambitious plans exist for further expansion of existing markets and the development of new products, services and markets which will result in continued significant growth over the next decade.

As part of this planned programme of growth, they now seek to appoint a young, commercially orientated Chartered Accountant to join the company as number two within the finance function. Supporting the Financial Director, you will assume full responsibility for the control of the finance function including involvement in all areas of financial and management reporting, treasury/cash management, and group taxation. More importantly however, you will be required to develop relationships and work closely with

senior management across all areas of the business, influencing and creating change and playing a key part in the further enhancement and development of Management Information Systems and controls to facilitate growth.

To be considered you will be a graduate Chartered Accountant aged under 35, commercially aware and with the ability to recognise the impact of financial management on the control and development of key business issues. You will ideally have already gained experience in a line role in a marketing led business, or alternatively, you may be an exceptional manager/senior manager in a major international accountancy firm Irrespective, you must have strong personal presence, energy and flair and the ability and

ambition to progress in your career. Interested applicants should forward a detailed Curriculum Vitae to Julia Fleming including details of current salary package/day time telephone number to:-Stark Brooks Associates, 5th Floor, Yorkshire House, East Parade, Leeds, LS1 5SH

telephone: 0113 242 8898. This appointment is being handled exclusively by Stark Brooks Associates and only applications received through them will be considered.

ASSOCIATES

### **Exciting Pan-European Opportunity**

FINANCIAL ANALYST

WATFORD

to £40,000

+ Benefits

+ Car

With operations in 40 countries spanning Europe, America and Asia this manufacturing group has established market leadership in its core business areas. They are pioneers in their field. The development of leading edge technologies combined with focused, innovative business practices has contributed to their dramatic organic

This newly created, high profile role is of key importance and therefore reports directly to the Group Finance Director. The vaned binef will focus on ad hoc assignments, including pan-European strategic reviews, costing and pricing studies, systems enhancement projects and other sharp end business issues. The successful candidate will therefore be:

Cualified ACA / ACMA / ACCA with at least 4 years post qualified expenence. Highly motivated, results oriented and pragmatic, with first class interpersonal skills.

Relishing the prospect of a multi-cultural role with 25% international travel.

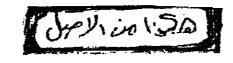
This represents a unique opportunity to impact on the success of a world-leading multanational. Career prospects are exceptional both in the UK and group-wide.

Interested applicants should write in confidence, stating current remuneration, to Robert Macmillan, quoting reference number 2120, at Nicholson International (Search & Selection Consultants), Bracton House, 34-36 High Holborn, London WCIV 6AS. Alternatively fax your details on: 0171 494 8128 or call 0171 404 5501 for an initial discussion



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